

**Rutherford County, North Carolina**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2003**

**Prepared By**  
**Rutherford County Finance Department**

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## Supplementary Information

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**CHARLES HILL**

Chairman

**CHIVOUS BRADLEY**

Vice Chairman

**AMANDA KING**

Commissioner

**PAUL MCINTOSH**

Commissioner

**BRENT WASHBURN**

Commissioner

**JOHN W. CONDREY**

County Manager

**HAZEL S. HAYNES**

Clerk to the Board

**ROBERT W. BOLE**

Finance Director

**PAULA A. ROACH**

Assistant Finance Director

# Rutherford County

289 North Main Street  
Rutherfordton, NC 28139  
(828) 287-6045  
(828) 287-6262 FAX

December 31, 2003

Rutherford County Board of Commissioners  
County of Rutherford  
289 North Main Street  
Rutherfordton, North Carolina 28139

Dear Commissioners:

In compliance with the General Statutes of the State of North Carolina, the Comprehensive Annual Financial Report (CAFR) of the County of Rutherford, North Carolina, is submitted for the fiscal year ended June 30, 2003. The responsibility for the accuracy, completeness, and clarity of the report rests with the County Finance Director. We believe the data presented is accurate in all material respects; that it is presented in a manner to fairly represent the financial position and the results of operations of the County of Rutherford as measured by the financial activities of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the county's financial activity have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of independent auditors.

## REPORTING ENTITY AND ITS SERVICES

The county has a commissioner/manager form of government with five commissioners elected for four-year staggered terms. The Board of Commissioners approves all tax and budget issues by a majority vote. An organizational chart is presented in this introductory section.

The financial reporting entity consists of the primary government, organizations for which a primary government is financially accountable, and other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government is financially accountable if it appoints a voting majority of the organization's governing body; and (1) is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. The following agencies have been included in the reporting entity as component units:

Rutherford County Airport Authority  
Rutherford County Economic Development Commission  
Rutherford County Transit Authority

Based on the foregoing criteria, it was not considered appropriate to include the following entities in the County of Rutherford reporting entity:

Rutherford County Board of Education  
Region C Council of Governments  
Fire and Sanitary Districts  
Isothermal Community College  
Rutherford/Polk Mental Health District  
Rutherford/Polk/McDowell Public Health District

The financial statements of these entities are audited and available at the County Finance Office and the office of each entity.

The County provides, in total or in part, a full range of governmental services including General Government, Public Safety, Environmental Protection, Human Services, Economic and Physical Development, Education, and Cultural Activities.

## ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

The county's accounting and financial systems have been designed to provide adequate internal accounting controls and to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or dispositions and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits to be derived, and the evaluation of costs and benefits requires estimates and judgment by management. The county believes that the internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary or other control is exercised over all funds. Appropriations are made at the functional level for the General Fund, at the departmental level for the Special Revenue and Proprietary Funds, and at the object level for the Capital Project and Debt Service Funds. The Governing Board amends appropriations as necessary.

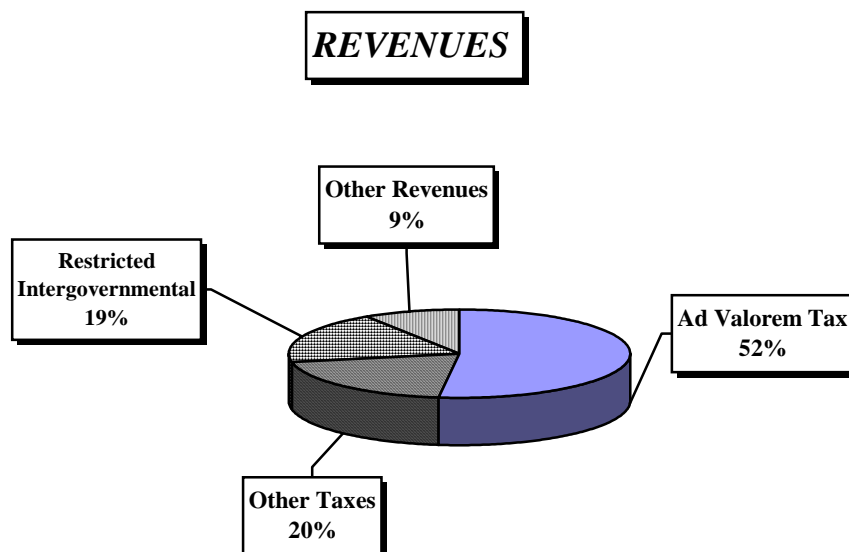
The budget shown in the financial statements is the budget ordinance as amended through June 30, 2003. The county's budget ordinance is prepared on a modified accrual basis for all governmental fund types. The budgets for the General, Special Revenue, Debt Service, and Enterprise Funds are prepared on an annual basis, and the budgets for the Capital Project Funds are authorized for the life of the project.

## GENERAL GOVERNMENTAL FUNCTIONS

Revenues for annual general governmental functions come primarily from ad valorem taxes, the two-cent optional sales tax, and intergovernmental revenues (primarily state and federal). These governmental functions include the general and special revenue funds. Revenues in the general fund are the sources used to carry out the general operations of the County. Special revenue funds are monies that are restricted by law or administrative action for specific purposes such as reappraisal, school capital projects, tourism development and the fire districts tax distribution.

The following table and graph illustrate the County's general governmental sources of revenue for the general, special revenue and debt service funds only:

|  | 2003          | Fiscal Year Ended |               |                | Percent    |  |
|--|---------------|-------------------|---------------|----------------|------------|--|
|  | Percent of    | June 30           |               | Increase/      | Increase/  |  |
|  | Total Revenue | 2003              | 2002          | (Decrease)     | (Decrease) |  |
| <b>Revenues</b>                            |               |                   |               |                |            |  |
| Ad valorem taxes                           | 51.9%         | \$ 25,272,124     | \$ 21,839,759 | \$ 3,432,365   | 15.72%     |  |
| Other taxes and licenses                   | 20.1%         | 9,794,061         | 9,036,056     | \$ 758,005     | 8.39%      |  |
| Unrestricted intergovernmental             | 0.0%          | -                 | 1,221,268     | \$ (1,221,268) | -100.00%   |  |
| Restricted intergovernmental               | 18.6%         | 9,031,207         | 6,707,072     | \$ 2,324,135   | 34.65%     |  |
| Permits and fees                           | 2.2%          | 1,092,816         | 852,716       | \$ 240,100     | 28.16%     |  |
| Sales and services                         | 5.5%          | 2,687,527         | 2,156,487     | \$ 531,040     | 24.63%     |  |
| Investment earnings                        | 1.4%          | 664,437           | 559,312       | \$ 105,125     | 18.80%     |  |
| Miscellaneous                              | 0.2%          | 116,888           | 145,883       | \$ (28,995)    | -19.88%    |  |
| Total Revenue                              | 100.0%        | \$ 48,659,060     | \$ 42,518,553 | \$ 6,140,507   | 14.44%     |  |
| Other Financing Sources                    |               | 29,407,945        | 314,150       | \$ 29,093,795  | 9261.12%   |  |
| Total Revenues and Other Financing Sources |               | \$ 78,067,005     | \$ 42,832,703 | \$ 35,234,302  | 82.26%     |  |





Rutherford County's revenues increased by approximately fourteen percent mainly due to increases in ad valorem taxes, restricted intergovernmental revenues, permits and fees, and sales and services.

Ad valorem and other tax revenues continue to be the largest source of revenue for the County accounting for 72% of total revenues. The increase in ad valorem taxes of approximately \$3.4 million, or fifteen percent, resulted due to the County property revaluation performed as of January 1, 2002. Property tax values increased twenty-two percent from \$3,211,673,362 to \$3,929,689,345 while the tax rate was decreased from 66 cents to 62 cents.

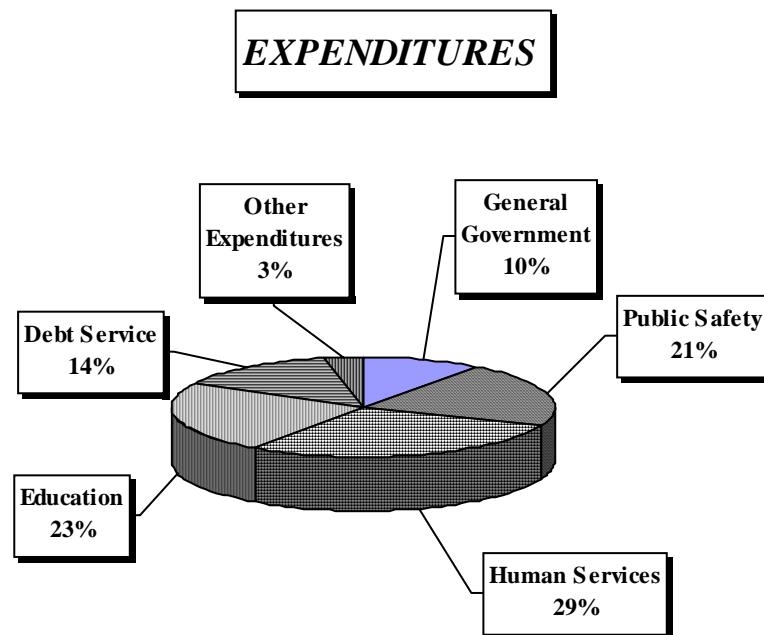
The increase in restricted intergovernmental revenues of \$2.3 million, or thirty-five percent, was mainly due to increases in human services revenues and the receipt of approximately \$900,000 from the State Public School Building Capital Fund which was used to service school debt during the year. Permits and fees increased twenty-eight percent, or \$240,000, as a result of increased fees in the Register of Deeds (which were effective January 2002), increased transactions in the Register of Deeds and an increase in revenue received from Cable franchise fees. Sales and services increased twenty-five percent, or \$532,000 mainly due to increases in Emergency Services collections of \$363,000. The increased collections were the result of an increase in fees (which went into effect in March 2002), an increase in the collection rate due to the utilization of a collection agency, and an increase in the amount of Medicare collections due to an increased allowable Medicare rate. The majority of the remaining increase in Sales and Services resulted from \$135,000 in additional revenues for housing out-of-County inmates in the Detention Center based on an increase in the number of out-of-County inmates housed.

Unrestricted intergovernmental revenue in prior years included State reimbursements for Intangible Taxes, Inventory Taxes, Senior Citizens Homestead Exemptions and Sales Taxes for Purchases with Food Stamps. The State discontinued these reimbursements in fiscal year 2002-2003. The County implemented an additional half-cent sales tax in January 2003 in an effort to replace this lost revenue.

Other financing sources increased approximately \$29 million due to the proceeds of several long-term debt issues that occurred during the fiscal year which are discussed in detail under the section entitled "Debt Administration".

Management recognizes that local sources of revenue must be used to provide basic services instead of relying on the uncertainty of federal and state funding. Education, human services, and public safety continue to be the largest of county government expenditures representing 73.1% of all expenditures. The following table and graph illustrate the County's general governmental expenditures in the general, special revenue and debt service funds only:

|   | 2003                             | Fiscal Year Ended |               |                         | Percent                 |  |
|---|----------------------------------|-------------------|---------------|-------------------------|-------------------------|--|
|   | Percent of<br>Total Expenditures | June 30           |               | Increase/<br>(Decrease) | Increase/<br>(Decrease) |  |
|   |                                  | 2003              | 2002          |                         |                         |  |
| Expenditures                                |                                  |                   |               |                         |                         |  |
| General government                          | 9.9%                             | \$ 4,560,320      | \$ 4,356,056  | \$ 204,264              | 4.69%                   |  |
| Public safety                               | 21.3%                            | 9,852,175         | 9,020,892     | 831,283                 | 9.22%                   |  |
| Environmental protection                    | 0.2%                             | 100,813           | 107,310       | (6,497)                 | -6.05%                  |  |
| Economic & physical development             | 2.3%                             | 1,055,040         | 564,103       | 490,937                 | 87.03%                  |  |
| Human services                              | 28.4%                            | 13,119,093        | 12,220,518    | 898,575                 | 7.35%                   |  |
| Cultural                                    | 0.8%                             | 361,562           | 343,050       | 18,512                  | 5.40%                   |  |
| Education                                   | 23.4%                            | 10,830,042        | 11,009,323    | (179,281)               | -1.63%                  |  |
| Debt service                                | 13.8%                            | 6,363,542         | 4,978,153     | 1,385,389               | 27.83%                  |  |
| Total Expenditures                          | 100.0%                           | \$ 46,242,587     | \$ 42,599,405 | \$ 3,643,182            | 8.55%                   |  |
| Other Financing Uses                        |                                  | 27,730,609        | 1,496,044     | 26,234,565              | 1753.60%                |  |
| Total Expenditures and Other Financing Uses |                                  | \$ 73,973,196     | \$ 44,095,449 | \$ 29,877,747           | 67.76%                  |  |



Total expenditures increased by approximately eight percent or approximately \$3.6 million. The majority of the increase occurred in debt service with increases also occurring in the areas of Public Safety and Human Services. Debt service increased by twenty-eight percent or approximately \$1.4 million due to the issuance of additional long-term debt as discussed in the section entitled “Debt Administration”. Increases in public

safety occurred due to an increase in capital equipment purchases, increases in health insurance and workers compensation and the addition of a planner in the Inspections Department. The increase in Human Services was largely due to an additional \$700,000 expended in Day Care funds as the Department of Social Services began administering Smart Start Day Care funding in Fiscal Year 2002-2003.

Other financing uses increased by \$26.2 million as a result of funds being placed in escrow that will be used to repay the refunded debt which is discussed in the section entitled "Debt Administration".

### CASH MANAGEMENT

Rutherford County has in place an approved Cash Management Policy. This policy has specific guidelines for both revenues and expenditures. The Finance Department strives for efficient and profitable use of the County's cash resources. A pooled cash concept is utilized to maximize funds available for investment. Cash temporarily idle during the year is invested in Certificates of Deposit, various instruments guaranteed by the United States Government and the North Carolina Capital Management Trust Fund (North Carolina Local Government Investment Pool).

The County's investments for fiscal year 2002-2003 earned \$664,437. The balance of cash and investments was \$36,687,041 as of June 30, 2003 as compared to \$14,629,785 as of June 30, 2002. The county's undesignated fund balance as of June 30, 2003 was \$6,806,018 and \$3,881,061 in the General Fund and the Special Revenue Fund, respectively.

### DEBT ADMINISTRATION

Rutherford County has efficiently managed its debt and has planned for future debt payment. General Long-Term Debt outstanding as of June 30, 2003 is comprised of the following:

- 2003 Certificates of Participation issued for school construction - \$7,740,000
- General Obligation Bonds issued for school construction - \$18,420,000
- 2002 Refunding of 1994 Certificates of Participation issued for county facilities - \$8,355,000
- 2001 Private Placement for county building projects - \$3,312,500
- 2002 Certificates of Participation issued for school construction - \$20,055,000
- 2002 Certificates of Participation industrial development - \$1,180,000
- Other Capitalized Leases - \$1,473,691
- Other commitments (accrued vacation, pension) - \$972,171

In September of 2002, the County took advantage of low interest rates and refunded the Certificates of Participation (COPS) issued for county building construction in 1994 at the same time the debt was issued for school construction (Chase Middle addition, Spindale Elementary, and Ellenboro Elementary). The refunding resulted in a net present value savings of \$858,498. The refunded 1994 COPS interest rate ranged from 5.35% to 6.25% and the refunding COPS issued in September had a true interest cost of 4.03%.

In April of 2003, the County again took advantage of low interest rates and refunded General Obligation Bonds which were initially issued for school construction. The refunding resulted in a net present value savings of \$1,262,203. The refunded bonds had interest rates that ranged from 4.60% to 5.10%. The refunding bonds issued in April had a true interest cost of 2.72%. The County also issued Certificates of Participation to construct a new Sunshine Elementary School and two-thirds General Obligation Bonds to renovate RS Middle and Forest City Elementary in April.

The general obligation bonds, certificates of participation, and private placement debt service are being funded with sales tax revenue which is set aside in reserve funds. As previously stated in the section regarding capital projects, one hundred percent of the Article 40 one-half cent sales tax adopted in 1983 and sixty percent of the Article 42 one-half cent sales tax adopted in 1986 have been designated for school construction. These funds are being set aside to pay for construction of schools and the debt service on borrowed funds used to construct schools. The remaining 40% of the Article 42 one-half cent sales tax adopted in 1986 has been designated for county building construction. The capitalized lease payments and other commitments are being funded by general and special revenue fund revenues as the commitments come due.

During the fiscal year ended June 30, 2003, the County's General Fund borrowed \$1,850,000 from the Solid Waste Fund for a term of 15 years. The proceeds of this interfund loan were used to purchase and renovate a vacant industrial building, which is now occupied by Tracker Marine, and to purchase industrial equipment for Tracker Marine. The outstanding balance of this loan as of June 30, 2003 was \$1,850,000.

The June 30, 2003 Solid Waste Enterprise Fund Debt of \$988,986 is comprised of capitalized leases. Debt service payments on these leases will be paid from solid waste revenues.

The county bond rating for the outstanding general obligation debt is "A2" with Moody Investor Service, "A" with Standard and Poors Corporation and "A+" with Fitch Ratings. The rating for the September COPS financing is "A3" with Moody Investor Service, "A-" with Standard and Poors Corporation and "A" with Fitch Ratings. The rating process normally rates COPS issues one rate lower than General Obligation issues.

The General Statutes control general long-term debts that local governments in North Carolina can issue. Long-term debt cannot exceed 8% of the assessed valuation of the County which was \$3,929,689,345 as of January 1, 2002. Thus the legal debt limit of the County as of June 30, 2003 is \$314,375,148 with a legal debt margin of \$253,818,957 considering the outstanding bond debt of \$18,420,000 and other debt of \$42,136,191.

### RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To protect itself in these cases, the County participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these two pools, the County obtains property, general, auto, professional liability, crime and worker's compensation coverage.

The County also participates in a fully funded pool with the Rutherford/Polk Mental Health District and the Rutherford/Polk/McDowell Public Health District to provide health and dental benefits to employees.

## THE ECONOMY OF RUTHERFORD COUNTY

Rutherford County's population is estimated to be 64,513 with a work force of 28,672. The population has grown by 10.46% during the last decade. The 2001 Census revealed that the greatest growth occurred in the Lake Lure area indicating retirees moving into this area. The goods producing work force declined over the last decade, while the service producing work force increased. Population by age 18-35 had a steady decline, while the age group 65 and older increased. The county trend seems to be following the national trend in rural America.

Seventy-six manufacturing firms are located in Rutherford County led by textiles, furniture, and plastics. Textiles continue to be the leader in jobs and wages. Recent trends show textiles and furniture declining, again following the national trend. In 2000, the industrial base in the County diversified with the introduction of composites and automotive components. The County has also developed industrial sites and buildings to sell. Riverstone Industrial Park contains 1,150 acres and is the largest certified industrial park in North Carolina. There are over thirty building sites proposed for this property. Over twelve million dollars of private funds have been invested and the Town of Forest City is providing water and sewer.

In September 2002, the County purchased an approximately 180,000 square foot industrial facility along with 155 acres. The County leased the facility and 59 acres to Tracker Marine (a boat manufacturing company) for twenty years. The remaining acreage is anticipated to be used for future economic development.

Another significant industry in the County is travel and tourism. Travel and tourism results in employment of approximately 1,100 people and generates approximately \$91 million in annual revenues. Lake Lure, located in the northwest area of the County, is a tourist and retirement destination. Chimney Rock Park, another major tourist attraction, is also located in this area. There are 1,241 rooms available for overnight lodging in the County and three eighteen-hole championship golf courses. Movies filmed in the County have also enhanced the travel and tourism industry. Fairfield Mountains, one of the nationally known Fairfield Communities and Lake Lure Golf and Beach are resorts that are rapidly expanding in the County with over 300 units employing from 300 to 400 people. The County has a Tourism Development Authority which strives to promote travel, tourism, retirement, and conventions in the County.

The County has implemented a strategic plan entitled Realize Rutherford. The plan was designed by a group of County citizens and defines a comprehensive direction for the next 10 to 20 years on issues such as economic development, education, housing, land use planning and recreation. To date over one hundred groups or individuals have committed their time and effort as Vision Partners. A Vision Partner is someone who is actively working on one of the strategies within the plan. The process is privately funded for five years through local organizations.

The largest challenge facing the County is re-training the work force. In view of the changing technological requirements of industry, Rutherford County is fortunate to have Isothermal Community College standing ready with specialty training programs to help new and existing industry to keep pace with their changing needs. The college offers 60 programs of study and provides training for area business and industry, personal enrichment courses, adult basic education, adult high school programs, remedial and development courses, and community service activities.

## INDEPENDENT AUDIT

The General Statutes of North Carolina require an independent financial audit of all local governments in the state. Gould Killian CPA Group, a firm of independent certified public accountants, has examined all financial records of the county and their opinion is included in this report. Their audit was made in accordance with generally accepted auditing standards and accordingly, included tests of the county's records and any other auditing procedures as they considered necessary. Their unqualified opinion indicates that the accompanying financial statements have been prepared by the county in conformity with generally accepted accounting principles.

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rutherford County for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the fourteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGMENT

Deserving special recognition are the skilled, talented, and dedicated employees - the work force of the County of Rutherford. We also express sincere appreciation to the Board of County Commissioners for their leadership in providing responsible government.

## USE OF REPORT

A copy of this report will be made available to various departments of the county, the Local Government Commission, bond rating agencies, state and federal grant agencies and such other institutions expressing an interest in Rutherford County's financial affairs.

A copy of this report will also be placed in the Rutherford County Public Library.

Respectfully submitted,

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John W. Condrey  
County Manager

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Robert W. Bole  
Finance Director

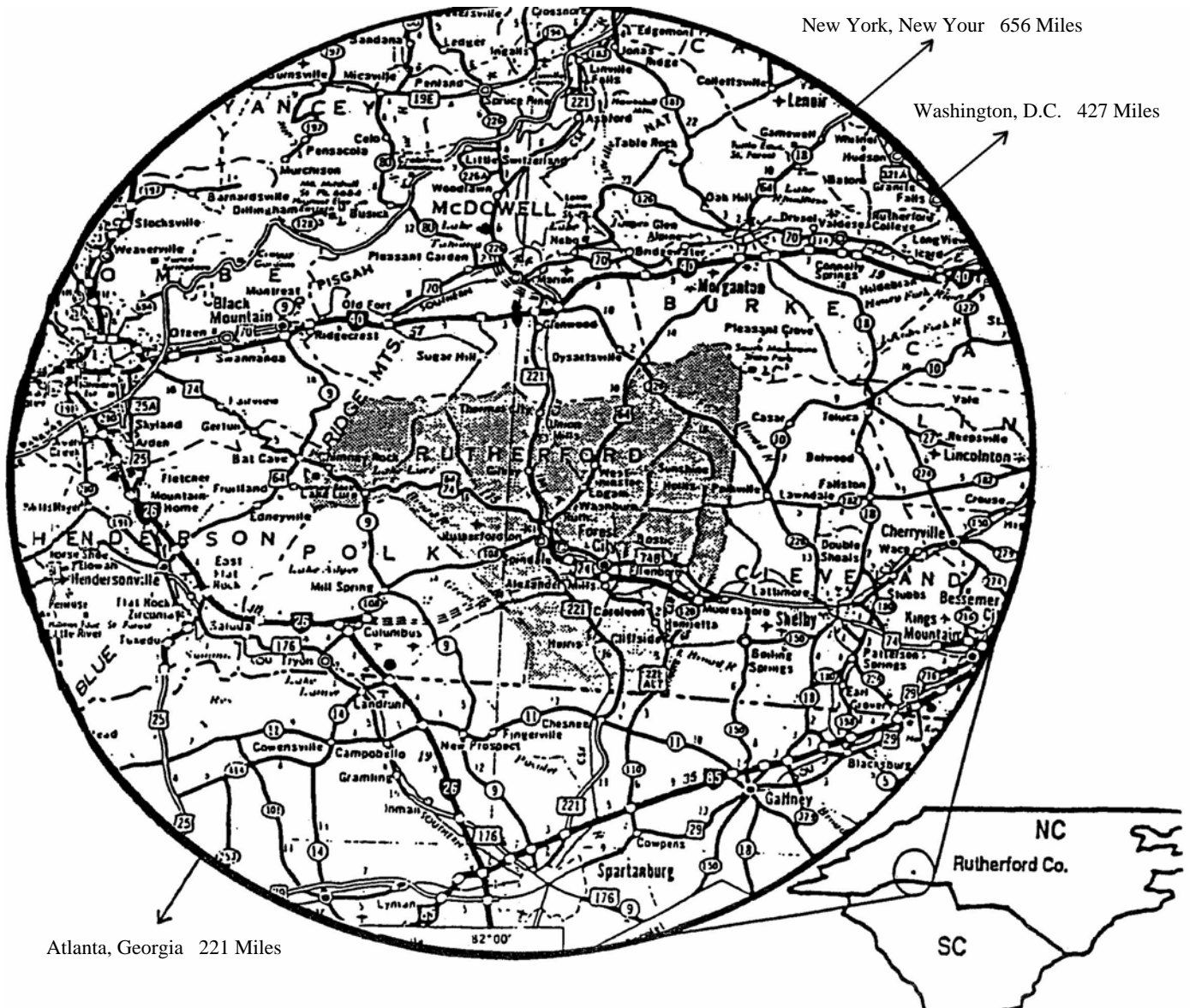
## THE COUNTY

### General Description

The County was formed in 1779 from Tryon and named for General Griffith B. Rutherford. The County Comprises approximately 566 square miles and is nestled in the rolling foothills of the Blue Ridge Mountains in the heart of the Thermal Belt. These mountain ranges provide shelter from extreme weather conditions in winter, but have cooling mountain breezes in summer. This moderation of weather and temperatures contribute greatly to the pleasant and peaceful living conditions enjoyed by the County residents.

Located in an urban triangle comprised of Charlotte, North Carolina – 70 miles; Asheville, North Carolina – 45 miles; and Spartanburg, South Carolina – 30 miles, the residents of the County enjoy suburban living while having access to urban facilities.

### 50 MILE RADIUS











# **RUTHERFORD COUNTY, NORTH CAROLINA**

**June 30, 2003**

## **Board of County Commissioners**

Charles Hill, Chairman

Chivous Bradley, Vice Chairman

Amanda King

Paul McIntosh

Brent Washburn

## **County Manager**

John Condrey

## **Finance Director**

Robert W. Bole

## **Assistant Finance Director**

Paula A. Roach

## **Independent Auditors' Report**

Board of Commissioners  
Rutherford County  
Rutherfordton, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rutherford County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina as of June 30, 2003, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement Number 34 during the year ended June 30, 2003.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation allowance, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2003 on our consideration of Rutherford County, North Carolina's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Rutherford County, North Carolina, taken as a whole. The combining and individual fund nonmajor fund and schedules, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State

Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information presented in the Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Asheville, North Carolina  
October 16, 2003

## Management's Discussion and Analysis

As management of Rutherford County, we offer readers of Rutherford County's financial statements this narrative overview and analysis of the financial activities of Rutherford County for the fiscal year ended June 30, 2003. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

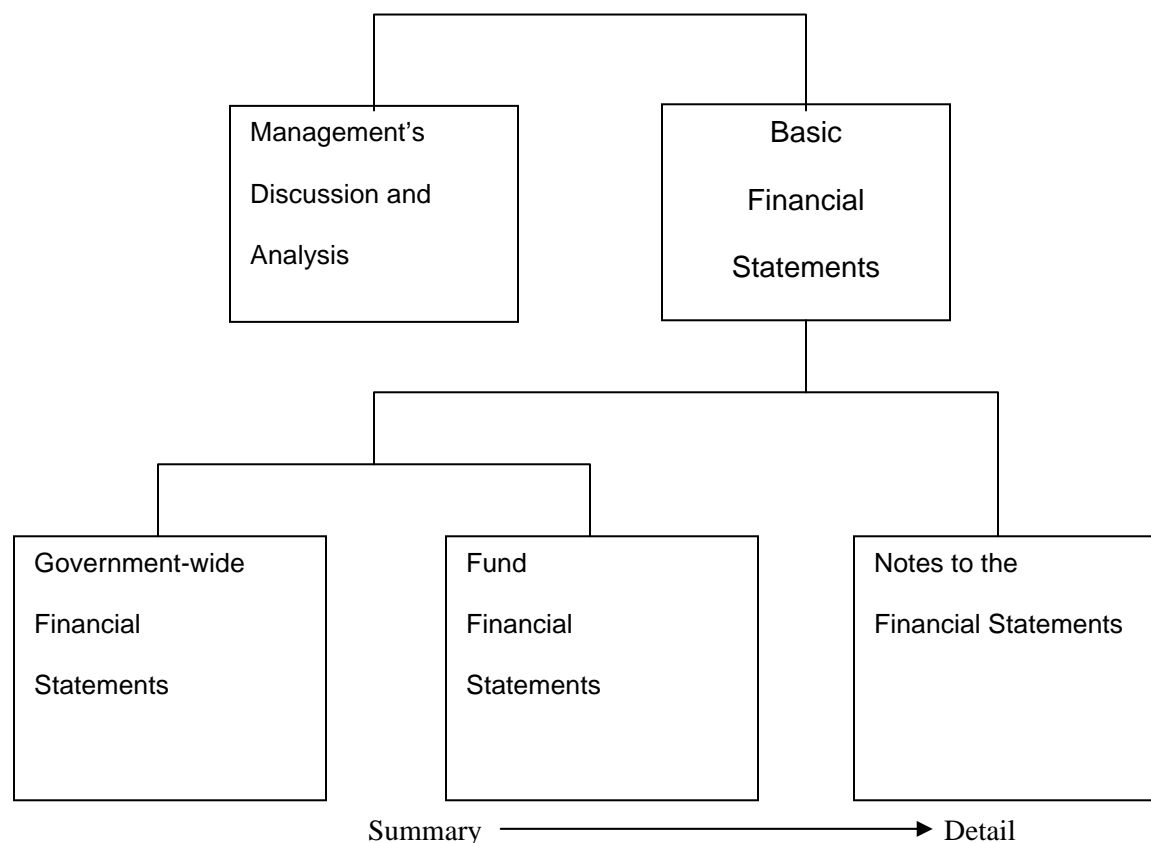
### Financial Highlights

- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$6,806,018, or 18 percent of total general fund expenditures for the fiscal year. This is an increase of \$1,927,433 from the previous year.
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of \$39,423,240, an increase of \$26,613,089 in comparison with the prior year. The combined fund balance consisted of: general fund - \$10,427,586; capital projects fund - schools - \$21,479,984; non-major special revenue \$5,794,691; and capital projects fund - county buildings - \$1,720,979.
- The liabilities of Rutherford County exceeded its assets at the close of the fiscal year resulting in a deficit of \$127,183 (*net assets*). In accordance with North Carolina law, liabilities of the County include approximately \$31,185,000 in long-term debt associated with assets belonging to the Rutherford County Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County reports a net deficit in unrestricted net assets.
- The government's total net assets decreased by \$1,083,618.
- Rutherford County's total debt increased by \$28,184,832 (82%) during the current fiscal year. The key factor in this increase is the \$27,795,000 in certificates of participation issued for school capital needs.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Rutherford County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the fiscal condition of Rutherford County.

**Required Components of Annual Financial Report**  
**Figure 1**



### **Basic Financial Statements**

The financial statements of the County for the fiscal year ended June 30, 2003, have been prepared to implement Governmental Accounting Standards Board Statement 34(GASB 34). For many years, the primary focus has been summarized by fund type information. GASB 34 added government-wide statements to the presentation, thus providing two different pictures of the County's financial operations.

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The next statements (pages 17 through 24) are Fund Financial Statements. These statements focus on the activities of the County and provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The final section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the County's non-major governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's law enforcement officers' pension plan.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. These statements are prepared under the full-accrual basis of accounting where all the current year's revenues and expenses are included regardless of when cash is received or paid. The government-wide statements provide short and long-term information about the County's financial status as a whole. The two government-wide statements report the County's net assets and how they have changed. The Statement of Net Assets and the Statement of Activities help to determine if the County as a whole is better or worse off as a result of the current year's activities.

*The Statement of Net Assets* reflects the County's net assets at the end of the fiscal year. The net assets of the County are the difference between total assets (what is owned) and total liabilities (what is owed). Measuring net assets is one way to gage the County's financial condition. However, other non-financial information such as changes in the County's property tax base and the condition of capital assets should be considered as well.

*The Statement of Activities* reflects the changes in the County's net assets that occurred during the fiscal year. These changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing or related cash flows. Accordingly, revenues and expenses are reported for some items that will only result cash flows in future fiscal years (i.e. uncollected property taxes and earned but unused vacation leave).

The government-wide financial statements are divided into the following three types of activities:

**Governmental activities** – These activities of the County include general government, public safety, human services, economic and physical development, education, and cultural and recreation.

**Business-type activities** – The County charges fees to recover the costs associated with providing certain services. These activities include solid waste disposal.

**Component units** – The government-wide financial statements include not only the County of Rutherford itself (known as the primary government), but also a legally separate airport, a legally separate tourism development authority, and a legally separate economic development commission for which the County of Rutherford is financially accountable. Financial information for these component units is reported separately from the financial information for the primary government itself.

The government-wide financial statements are on pages 15 through 16 of this report.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Rutherford County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-



related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Rutherford County can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Rutherford County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

*Proprietary Funds* – Rutherford County has one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Rutherford County uses enterprise funds to account for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

*Agency Funds* – Agency funds are used to account for resources held for the benefit of parties outside the government. Rutherford County has four agency funds.

*Notes to the Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on pages 25 through 51 of this report.

*Other Information* – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Rutherford County's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found beginning on page 52 of this report.

## Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2003, are the beginning of a new era in financial reporting for Rutherford County and many other units of government across the United States. Prior to this year, Rutherford County maintained their governmental, proprietary, and fiduciary fund groups as separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of Rutherford County. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Government Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in Rutherford County's financial reports as well as those of many other units of government. While Rutherford County was required to implement these changes for the fiscal year ended June 30, 2003, other units were required to implement Statement 34 in 2002, and any remaining governments will be implementing in 2004.

Because of the new reporting model, comparative data for all facets of this report are not available. When comparative numbers are accessible, they have been included, such as with net assets. Future years' reports will have more comparative data that will allow more opportunities for comparative analysis.

**Figure 2**

### RUTHERFORD COUNTY'S NET ASSETS

|  | Governmental<br>Activities | Business-type<br>Activities | Total         |
|--|----------------------------|-----------------------------|---------------|
|  | 2003                       | 2003                        | 2003          |
| Current and other assets                           | \$ 42,192,049              | \$ 3,742,743                | \$ 45,934,792 |
| Capital assets                                     | 18,701,945                 | 2,819,398                   | 21,521,343    |
| Total assets                                       | \$ 60,893,994              | \$ 6,562,141                | \$ 67,456,135 |
| Long-term liabilities outstanding                  | \$ 61,528,362              | \$ 2,874,126                | \$ 64,402,488 |
| Other liabilities                                  | 2,908,552                  | 272,278                     | 3,180,830     |
| Total liabilities                                  | 64,436,914                 | 3,146,404                   | 67,583,318    |
| Net assets:  |                            |                             |               |
| Invested in capital assets, net of<br>related debt | 4,204,392                  | 1,830,412                   | 6,034,804     |
| Restricted   | 23,924,954                 | -                           | 23,924,954    |
| Unrestricted                                       | (31,672,266)               | 1,585,325                   | (30,086,941)  |
| Total net assets                                   | \$ (3,542,920)             | \$ 3,415,737                | \$ (127,183)  |

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The liabilities of Rutherford County exceeded assets by \$127,183 as of June 30, 2003. The County's net assets decreased by \$1,083,618 for the fiscal year ended June 30, 2003. One of the largest

portions reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Rutherford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Rutherford County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A portion of Rutherford County's net assets (approximately 6%) represents resources that are subject to external restrictions on how they may be used. At June 30, 2003, the total net deficit of (\$30,086,941) in unrestricted net assets is primarily attributable to the governmental activities unrestricted deficit balance of (\$31,672,266).

The majority of the governmental activities deficit consists of the school construction debt. As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the county's outstanding debt incurred for the County Board of Education (the "school system"). Under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of county funds, general obligation debt and certificates of participation. The assets funded by the County, however, are owned and utilized by the school system. When the County, as the issuing government, acquires no capital assets, the County incurs a liability without a corresponding increase in assets. Sunshine Elementary is an exception that the County owns the school (currently under construction). At the end of the fiscal year, approximately \$31,185,000 million of the outstanding debt on the County's financial statements was related to assets included in the school system's financial statements. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

The decline in total assets and the impact of the inclusion of the school system debt without the corresponding assets were offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 95.6%.
- Continued low cost of debt due to the County's high bond rating allowed the County to refund existing general obligation debt and issue new certificates of participation to improve school facilities.
- Lower than appropriated county share of Medicaid costs also positively affected net assets.

Figure 3

**RUTHERFORD COUNTY'S CHANGES IN NET ASSETS**

|   | Governmental<br>Activities | Business-type<br>Activities | Total        |
|---|----------------------------|-----------------------------|--------------|
|   | 2003                       | 2003                        | 2003         |
| Revenues:   |                            |                             |              |
| Program revenues:   |                            |                             |              |
| Charges for services  | \$ 3,031,299               | \$ 3,152,322                | \$ 6,183,621 |
| Operating grants and contributions                                      | 8,152,455                  | -                           | 8,152,455    |
| Capital grants and contributions  | 772,701                    | -                           | 772,701      |
| General revenues:   |                            |                             |              |
| Property taxes  | 25,454,307                 | -                           | 25,454,307   |
| Other taxes   | 10,499,630                 | -                           | 10,499,630   |
| Other   | 825,935                    | 131,093                     | 957,028      |
| Total revenues  | 48,736,327                 | 3,283,415                   | 52,019,742   |
| Expenses:   |                            |                             |              |
| General government  | 4,656,686                  | -                           | 4,656,686    |
| Public safety   | 9,856,540                  | -                           | 9,856,540    |
| Environmental protection  | 102,089                    | -                           | 102,089      |
| Economic and physical development                                       | 1,090,193                  | -                           | 1,090,193    |
| Human services  | 13,354,244                 | -                           | 13,354,244   |
| Cultural and recreation   | 415,717                    | -                           | 415,717      |
| Education   | 18,562,891                 | -                           | 18,562,891   |
| Interest on long-term debt  | 1,938,582                  | -                           | 1,938,582    |
| Landfill  | -                          | 3,126,418                   | 3,126,418    |
| Total expenses  | 49,976,942                 | 3,126,418                   | 53,103,360   |
| Increase (decrease) in net assets before transfers<br>and special items | (1,240,615)                | 156,997                     | (1,083,618)  |
| Transfers   | 30,000                     | (30,000)                    | -            |
| Increase in net assets  | (1,210,615)                | 126,997                     | (1,083,618)  |
| Net assets, July 1  | (2,332,305)                | 3,288,740                   | 956,435      |
| Net assets, June 30   | \$ (3,542,920)             | \$ 3,415,737                | \$ (127,183) |

**Governmental activities.** Governmental activities decreased the County's net assets by \$1,210,615. The key element of this decrease was the additional debt incurred to construct new schools. The offsetting assets – the schools – are owned and utilized by the school system as discussed earlier following Figure 2.

**Business-type activities:** Business-type activities increased Rutherford County's net assets by \$126,997, accounting for 4 percent of the total growth in the government's net assets. Key elements of this increase are effective cost management in operation of landfill.

The County established an Enterprise Fund on July 1, 1992 to account for solid waste collection and disposal operations that are financed through solid waste fees. Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. In order to meet this requirement, the County constructed a transfer station and began transporting MSW to a lined landfill outside the County. Studies are currently being conducted on the feasibility of constructing a lined landfill adjacent to our Central Landfill. The County is in the process of applying for a permit with the North Carolina Department of Environment and Natural Resources for this construction. The current contract for MSW transportation out of County expires December 2008.

The County continues to operate a Construction and Demolition (C&D) landfill as C&D is not required to be placed in a lined landfill. The County has established a two-tiered tipping fee system. The tipping fee for C&D is \$25 per ton and the tipping fee for all other commercial industrial waste is \$37 per ton. The household fee is \$100 per household per year. Eight convenience centers and two manned green box sites are now in operation throughout the County.

### **Financial Analysis of the County's Funds**

As noted earlier, Rutherford County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of Rutherford County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Rutherford County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Rutherford County. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$6,806,018, while total fund balance reached \$10,427,586. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 18 percent of total General Fund expenditures, while total fund balance represents 28 percent of that same amount.

At June 30, 2003, the governmental funds of Rutherford County reported a combined fund balance of \$39,423,240, a 207 percent increase over last year. The primary reason for this increase is the debt proceeds included in the Capital Projects Fund – Schools fund balance reserved for school construction.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is

available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. One general fund amendment which was made in Fiscal Year 2002-2003 and is worth noting involved an interfund loan the general fund received from the solid waste fund in the amount of \$1,850,000 for industrial development. The proceeds of the 15-year loan were used to purchase and renovate a vacant industrial building, which is now occupied by Tracker Marine, and to purchase equipment for Tracker Marine.

**Proprietary Funds.** Rutherford County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Landfill Fund at the end of the fiscal year amounted to \$1,585,325. The total growth in net assets was \$126,997. Other factors concerning the finances of this fund have already been addressed in the discussion of Rutherford County's business-type activities.

### **Capital Asset and Debt Administration**

**Capital Assets.** Rutherford County's capital assets for its governmental and business – type activities as of June 30, 2003, totals \$21,521,343 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchased new vehicles and an ambulance for Public Safety
- Purchased land and building for economic development
- Purchased console system for E911 addressing

**Figure 4**

**RUTHERFORD COUNTY'S CAPITAL ASSETS  
(net of depreciation)**

|   | Governmental<br>Activities | Business-type<br>Activities | Total         |
|---|----------------------------|-----------------------------|---------------|
|   | 2003                       | 2003                        | 2003          |
| Land                                    | \$ 1,203,220               | \$ 527,912                  | \$ 1,731,132  |
| Buildings and<br>system                 | 13,786,152                 | 1,660,577                   | 15,446,729    |
| Improvements<br>other than<br>buildings | 97,993                     | -                           | 97,993        |
| Machinery and<br>equipment              | 588,641                    | 504,272                     | 1,092,913     |
| Infrastructure                          | -                          | -                           | -             |
| Vehicles and<br>motorized<br>equipment  | 975,567                    | 126,637                     | 1,102,204     |
| Construction in<br>progress             | 2,050,372                  | -                           | 2,050,372     |
| Total                                   | \$ 18,701,945              | \$ 2,819,398                | \$ 21,521,343 |

Additional information on the County's capital assets can be found in Note 3(D) of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2003, Rutherford County had total bonded debt outstanding of \$18,420,000 all of which is debt backed by the full faith and credit of the County.

## Figure 5 Rutherford County's Outstanding Debt General Obligation and Revenue Bonds

|                          | Governmental<br>Activities |               | Business-type<br>Activities |      | Total         |               |
|--------------------------|----------------------------|---------------|-----------------------------|------|---------------|---------------|
|                          | 2003                       | 2002          | 2003                        | 2002 | 2003          | 2002          |
| General obligation bonds | \$ 18,420,000              | \$ 19,145,000 | \$ -                        | \$ - | \$ 18,420,000 | \$ 19,145,000 |

Rutherford County's total debt increased by \$28,184,832 (82 percent) during the past fiscal year, primarily due to the \$27,795,000 certificates of participation issued to finance school construction.

The county bond rating for the outstanding general obligation debt is "A2" with Moody Investor Service, "A" with Standard and Poors Corporation and "A+" with Fitch Ratings. The rating for the September COPS financing is "A3" with Moody Investor Service, "A-" with Standard and Poors Corporation and "A" with Fitch Ratings. The rating process normally rates COPS issues one rate lower than General Obligation issues. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Rutherford County is \$253,818,957. The County has no un-issued authorized bonds at June 30, 2003.

Additional information regarding Rutherford County's long-term debt can be found in Note 6 beginning on page 43 of this audited financial report.

### Economic Factors and Next Year's Budgets and Rates

In 2003, Rutherford County continued to see manufacturing jobs decline; while service sector jobs increased, but at a slower pace. The service sector jobs also are replacing manufacturing jobs at a lower wage rate. There were 1,983 manufacturing job losses in 2003 due to plant closures in 2003. However, new manufacturing jobs of 412 and service sector jobs of 371 created a net job loss of 1,200. These numbers have not been fully reflected in the unemployment rate, and the rate is anticipated to spike in January or February, 2004. Unemployment in November 2002 was 10% compared to 11.3% in November 2003. The unemployment rate reached its lowest point of 2003 in March at 8% and peaked at 12.9% in October 2003. The lowest unemployment over the past five years occurred in April 1999 at 4.7% and peaked in February 2002 at 13.7%. It is anticipated this could be reached or exceeded in February 2004.

The outlook for 2004 continues to look positive provided the US economy continues its recovery. Activity from new companies considering Rutherford County continues to increase. It must be noted these companies are smaller and wages are lower. This follows the US trend in more rural counties. The technology companies paying higher wages continue to cluster around research universities.

Rutherford County's tourism sector experienced growth in 2003. With millions of visitors to draw from with Raleigh, Charlotte, Asheville, Greenville and Spartanburg, South Carolina, the Tourism



Development Authority expects the tourism industry to continue its growth in 2004. Occupancy taxes for 2003 were \$9,365 higher than in 2002 with May, July and October being record breaking months in 2003.

### **Budget Highlights for the Fiscal Year Ending June 30, 2004**

**Governmental Activities:** Property taxes and revenues from permits and fees are expected to lead the increase in revenue projections. The County will use a new alarm monitoring fee to fund additional patrol officers and a telecommunicator position to aid in the increased call volume.

Budgeted expenditures in the General Fund are expected to rise 4.58% to \$39,788,024. The largest increments are in liability insurance, employee compensation, school appropriations, and economic development.

**Business – type Activities:** The rates for landfill services will remain unchanged.

### **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Rutherford County, 189 North Main Street, Rutherfordton, NC 28139.

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**Rutherford County, North Carolina**  
**Statement of Net Assets**  
**June 30, 2003**

|   | <b>Primary Government</b> |                      |               |
|---|---------------------------|----------------------|---------------|
|   | <b>Governmental</b>       | <b>Business-Type</b> |               |
|   | <b>Activities</b>         | <b>Activities</b>    | <b>Total</b>  |
| <b>ASSETS</b>                                   |                           |                      |               |
| Cash and cash equivalents                       | \$ 15,977,703             | \$ 1,482,383         | \$ 17,460,086 |
| Receivables (net)                               | 2,347,917                 | 410,360              | 2,758,277     |
| Due from other governments                      | 3,152,061                 | -                    | 3,152,061     |
| Due from governmental activities                | -                         | 1,850,000            | 1,850,000     |
| Inventories                                     | 13,919                    | -                    | 13,919        |
| Prepaid items                                   | 22,244                    | -                    | 22,244        |
| Cash and cash equivalents - restricted          | 20,678,205                | -                    | 20,678,205    |
| Capital assets:                                 |                           |                      |               |
| Land and construction in progress               | 3,253,591                 | 527,912              | 3,781,503     |
| Other capital assets, net of depreciation       | 15,448,354                | 2,291,486            | 17,739,840    |
| Total capital assets                            | 18,701,945                | 2,819,398            | 21,521,343    |
| Total assets                                    | 60,893,994                | 6,562,141            | 67,456,135    |
| <b>LIABILITIES</b>                              |                           |                      |               |
| Accounts payable and accrued expenses           | 353,148                   | 177,278              | 530,426       |
| Accrued interest payable                        | 449,585                   | -                    | 449,585       |
| Unearned revenue                                | 255,819                   | -                    | 255,819       |
| Due to business-type activities                 | 1,850,000                 | -                    | 1,850,000     |
| Long-term liabilities:                          |                           |                      |               |
| Due within one year                             | 4,047,564                 | 95,000               | 4,142,564     |
| Due in more than one year                       | 57,480,798                | 2,874,126            | 60,354,924    |
| Total liabilities                               | 64,436,914                | 3,146,404            | 67,583,318    |
| <b>NET ASSETS</b>                               |                           |                      |               |
| Invested in capital assets, net of related debt | 4,204,392                 | 1,830,412            | 6,034,804     |
| Restricted for:                                 |                           |                      |               |
| Register of Deeds                               | 92,075                    | -                    | 92,075        |
| Wireless 911                                    | 764,546                   | -                    | 764,546       |
| Capital projects                                | 23,068,333                | -                    | 23,068,333    |
| Unrestricted (deficit)                          | (31,672,266)              | 1,585,325            | (30,086,941)  |
| Total net assets                                | \$ (3,542,920)            | \$ 3,415,737         | \$ (127,183)  |

## Exhibit 1

| Component Units                 |                                     |  |                        |  |  |
|---------------------------------|-------------------------------------|--|------------------------|--|--|
| Economic Development Commission | Rutherford County Airport Authority |  | Transit Administration |  |  |
| \$ -                            | \$ -                                |  | \$ 24,044              |  |  |
| -                               | -                                   |  | -                      |  |  |
| -                               | -                                   |  | 237,023                |  |  |
| -                               | -                                   |  | -                      |  |  |
| -                               | -                                   |  | -                      |  |  |
| -                               | -                                   |  | -                      |  |  |
| -                               | -                                   |  | -                      |  |  |
| <b>-</b>                        | <b>-</b>                            |  | <b>-</b>               |  |  |
| -                               | 62,847                              |  | -                      |  |  |
| -                               | 2,204,132                           |  | 283,813                |  |  |
| <b>-</b>                        | <b>2,266,979</b>                    |  | <b>283,813</b>         |  |  |
| <b>-</b>                        | <b>2,266,979</b>                    |  | <b>544,880</b>         |  |  |
| -                               | -                                   |  | -                      |  |  |
| -                               | -                                   |  | 61,652                 |  |  |
| -                               | -                                   |  | -                      |  |  |
| -                               | -                                   |  | -                      |  |  |
| -                               | -                                   |  | -                      |  |  |
| -                               | -                                   |  | -                      |  |  |
| <b>-</b>                        | <b>-</b>                            |  | <b>-</b>               |  |  |
| <b>-</b>                        | <b>-</b>                            |  | <b>61,652</b>          |  |  |
| -                               | 2,266,979                           |  | 283,813                |  |  |
| -                               | -                                   |  | -                      |  |  |
| -                               | -                                   |  | -                      |  |  |
| -                               | -                                   |  | -                      |  |  |
| -                               | -                                   |  | 199,415                |  |  |
| <b>\$ -</b>                     | <b>\$ 2,266,979</b>                 |  | <b>\$ 483,228</b>      |  |  |

The accompanying notes are an integral part of this financial statement.

**Rutherford County, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2003**

| Functions/Programs                         | Expenses             | Program Revenues     |                                    |                                  |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary government:</b>                 |                      |                      |                                    |                                  |
| Governmental Activities:                   |                      |                      |                                    |                                  |
| General government                         | \$ 4,656,686         | \$ 599,353           | \$ -                               | \$ 11,091                        |
| Public safety                              | 9,856,540            | 2,342,527            | -                                  | 264,018                          |
| Environmental protection                   | 102,089              | 26,271               | -                                  | -                                |
| Economic and physical development          | 1,090,193            | -                    | -                                  | 295,004                          |
| Human services                             | 13,354,244           | 63,148               | 6,940,643                          | 83,497                           |
| Cultural and recreation                    | 415,717              | -                    | -                                  | -                                |
| Education                                  | 18,562,891           | -                    | 1,211,812                          | 119,091                          |
| Interest on long-term debt                 | 1,938,582            | -                    | -                                  | -                                |
| Total governmental activities              | <u>49,976,942</u>    | <u>3,031,299</u>     | <u>8,152,455</u>                   | <u>772,701</u>                   |
| Business-type activities:                  |                      |                      |                                    |                                  |
| Solid Waste Disposal                       | 3,126,418            | 3,330,561            | -                                  | -                                |
| Total business-type activities             | <u>3,126,418</u>     | <u>3,330,561</u>     | <u>-</u>                           | <u>-</u>                         |
|  | <u>\$ 53,103,360</u> | <u>\$ 6,361,860</u>  | <u>\$ 8,152,455</u>                | <u>\$ 772,701</u>                |
| Component units:                           |                      |                      |                                    |                                  |
| Economic Development Commission            | \$ 472,109           | \$ -                 | \$ 472,109                         | \$ -                             |
| Rutherford County Airport Authority        | 26,271               | 26,271               | -                                  | -                                |
| Transit Administration                     | 643,919              | 275,758              | 441,870                            | -                                |
| Total component units                      | <u>\$ 1,142,299</u>  | <u>\$ 302,029</u>    | <u>\$ 913,979</u>                  | <u>\$ -</u>                      |
| General revenues:                          |                      |                      |                                    |                                  |
| Taxes:                                     |                      |                      |                                    |                                  |
| Property taxes, levied for general purpose |                      |                      |                                    |                                  |
| Local option sales tax                     |                      |                      |                                    |                                  |
| Other taxes and licenses                   |                      |                      |                                    |                                  |
| Investment earnings, unrestricted          |                      |                      |                                    |                                  |
| Miscellaneous, unrestricted                |                      |                      |                                    |                                  |
| Transfers                                  |                      |                      |                                    |                                  |
| Total general revenues and transfers       |                      |                      |                                    |                                  |
| Changes in net assets                      |                      |                      |                                    |                                  |
| Net assets, beginning                      |                      |                      |                                    |                                  |
| Net assets, ending                         |                      |                      |                                    |                                  |

**Net (Expense) Revenue and Changes in Net Assets**

| <b>Primary Government</b>      |                                 |                     | <b>Component Units</b>                 |  |                               |
|--------------------------------|---------------------------------|---------------------|--|--|-------------------------------|
| <b>Governmental Activities</b> | <b>Business-type Activities</b> | <b>Total</b>        | <b>Economic Development Commission</b> | <b>Rutherford County Airport Authority</b> | <b>Transit Administration</b> |
| \$ (4,046,242)                 | \$ -                            | \$ (4,046,242)      |  |  |                               |
| (7,249,995)                    | -                               | (7,249,995)         |  |  |                               |
| (75,818)                       | -                               | (75,818)            |  |  |                               |
| (795,189)                      | -                               | (795,189)           |  |  |                               |
| (6,266,956)                    | -                               | (6,266,956)         |  |  |                               |
| (415,717)                      | -                               | (415,717)           |  |  |                               |
| (17,231,988)                   | -                               | (17,231,988)        |  |  |                               |
| (1,938,582)                    | -                               | (1,938,582)         |  |  |                               |
| <u>(38,020,487)</u>            | <u>-</u>                        | <u>(38,020,487)</u> |  |  |                               |
| -                              | 204,143                         | 204,143             |  |  |                               |
| <u>-</u>                       | <u>204,143</u>                  | <u>204,143</u>      |  |  |                               |
| <u>(38,020,487)</u>            | <u>204,143</u>                  | <u>(37,816,344)</u> |  |  |                               |
|                                |                                 |                     | \$ -                                   | \$ -                                       | \$ -                          |
|                                |                                 |                     | -                                      | -  | -                             |
|                                |                                 |                     | -                                      | -  | 73,709                        |
|                                |                                 |                     | <u>-</u>                               | <u>-</u>                                   | <u>73,709</u>                 |
| 25,454,307                     | -                               | 25,454,307          | -                                      | -  | -                             |
| 9,107,457                      | -                               | 9,107,457           | -                                      | -  | -                             |
| 1,392,173                      | -                               | 1,392,173           | -                                      | -  | -                             |
| 664,437                        | 8,344                           | 672,781             | -                                      | -  | -                             |
| 161,498                        | (55,490)                        | 106,008             | -                                      | -  | -                             |
| 30,000                         | (30,000)                        | -                   | -                                      | -  | -                             |
| <u>36,809,872</u>              | <u>(77,146)</u>                 | <u>36,732,726</u>   | <u>-</u>                               | <u>-</u>                                   | <u>-</u>                      |
| (1,210,615)                    | 126,997                         | (1,083,618)         | -                                      | -  | 73,709                        |
| (2,332,305)                    | 3,288,740                       | 956,435             | -                                      | -  | 409,519                       |
| <u>\$ (3,542,920)</u>          | <u>\$ 3,415,737</u>             | <u>\$ (127,183)</u> | <u>\$ -</u>                            | <u>\$ -</u>                                | <u>\$ 483,228</u>             |

**Rutherford County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2003**

|  | General              | Debt<br>Service | School<br>Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------|-------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                      |                 |                               |                                |                                |
| Cash and cash equivalents  | \$ 7,810,710         | \$ -            | \$ 1,362,363                  | \$ 6,804,630                   | \$ 15,977,703                  |
| Receivables, net   | 1,966,824            | -               | 119,275                       | 178,818                        | 2,264,917                      |
| Due from other governments   | 3,113,249            | -               | -                             | 38,812                         | 3,152,061                      |
| Prepaid items  | 13,919               | -               | -                             | -                              | 13,919                         |
| Inventories  | 22,244               | -               | -                             | -                              | 22,244                         |
| Cash and cash equivalents - restricted   | -                    | -               | 19,998,870                    | 679,335                        | 20,678,205                     |
| Total assets   | <u>\$ 12,926,946</u> | <u>\$ -</u>     | <u>\$ 21,480,508</u>          | <u>\$ 7,701,595</u>            | <u>\$ 42,109,049</u>           |
| <b>LIABILITIES AND FUND BALANCES</b>   |                      |                 |                               |                                |                                |
| Liabilities:   |                      |                 |                               |                                |                                |
| Accounts payable and accrued liabilities   | \$ 301,408           | \$ -            | \$ 524                        | \$ 51,216                      | \$ 353,148                     |
| Unearned revenue   | 240,919              | -               | -                             | 14,900                         | 255,819                        |
| Deferred revenue   | 1,957,033            | -               | -                             | 119,809                        | 2,076,842                      |
| Total liabilities  | <u>2,499,360</u>     | <u>-</u>        | <u>524</u>                    | <u>185,925</u>                 | <u>2,685,809</u>               |
| Fund balances:   |                      |                 |                               |                                |                                |
| Reserved for:  |                      |                 |                               |                                |                                |
| Inventories and prepaid items  | 36,163               | -               | -                             | -                              | 36,163                         |
| State statute  | 3,123,040            | -               | 119,275                       | 97,821                         | 3,340,136                      |
| Court facilities   | 256,634              | -               | -                             | -                              | 256,634                        |
| Register of Deeds  | -                    | -               | -                             | 92,075                         | 92,075                         |
| Wireless 911   | -                    | -               | -                             | 674,030                        | 674,030                        |
| Unreserved   | 7,011,749            | -               | -                             | -                              | 7,011,749                      |
| Unreserved, reported in nonmajor:  |                      |                 |                               |                                |                                |
| Special revenue funds  | -                    | -               | -                             | 4,944,120                      | 4,944,120                      |
| Capital projects funds   | -                    | -               | 21,360,709                    | 1,707,624                      | 23,068,333                     |
| Total fund balances  | <u>10,427,586</u>    | <u>-</u>        | <u>21,479,984</u>             | <u>7,515,670</u>               | <u>39,423,240</u>              |
| Total liabilities and fund balances  | <u>\$ 12,926,946</u> | <u>\$ -</u>     | <u>\$ 21,480,508</u>          | <u>\$ 7,701,595</u>            |                                |
| Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:                                 |                      |                 |                               |                                |                                |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                        |                      |                 |                               |                                | 18,701,945                     |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.                       |                      |                 |                               |                                | 83,000                         |
| Liabilities for earned but deferred revenues in fund statements.   |                      |                 |                               |                                | 2,076,842                      |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 1). |                      |                 |                               |                                | (63,827,947)                   |
| Net assets of governmental activities  |                      |                 |                               |                                | <u>\$ (3,542,920)</u>          |

The accompanying notes are an integral part of this financial statement.

**Rutherford County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2003**

|  | <b>General</b>       | <b>Debt<br/>Service</b> | <b>School<br/>Capital<br/>Projects</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------------|-------------------------|--|---|---|
| <b>REVENUES</b>                        |                      |                         |  |   |   |
| Ad valorem taxes                       | \$ 24,033,525        | \$ -                    | \$ -                                   | \$ 1,238,599                            | \$ 25,272,124                           |
| Local option sales taxes               | 9,107,457            | -                       | -                                      | 425,196                                 | 9,532,653                               |
| Other taxes and licenses               | -                    | -                       | -                                      | 261,408                                 | 261,408                                 |
| Restricted intergovernmental           | 7,100,327            | -                       | 441,507                                | 1,489,373                               | 9,031,207                               |
| Permits and fees                       | 1,092,816            | -                       | -                                      | -                                       | 1,092,816                               |
| Sales and services                     | 2,116,974            | 53,293                  | -                                      | 517,260                                 | 2,687,527                               |
| Investment earnings                    | 375,688              | 55,889                  | 179,844                                | 53,016                                  | 664,437                                 |
| Miscellaneous                          | 116,888              | -                       | -                                      | -                                       | 116,888                                 |
| Total revenues                         | <u>43,943,675</u>    | <u>109,182</u>          | <u>621,351</u>                         | <u>3,984,852</u>                        | <u>48,659,060</u>                       |
| <b>EXPENDITURES</b>                    |                      |                         |  |   |   |
| Current:                               |                      |                         |  |   |   |
| General government                     | 3,948,103            | -                       | -                                      | 612,217                                 | 4,560,320                               |
| Public safety                          | 7,467,429            | -                       | -                                      | 2,384,746                               | 9,852,175                               |
| Environmental protection               | 100,813              | -                       | -                                      | -                                       | 100,813                                 |
| Economic and physical<br>development   | 675,224              | -                       | -                                      | 379,816                                 | 1,055,040                               |
| Human services                         | 13,119,093           | -                       | -                                      | -                                       | 13,119,093                              |
| Cultural and recreational              | 361,562              | -                       | -                                      | -                                       | 361,562                                 |
| Intergovernmental:                     |                      |                         |  |   |   |
| Education                              | 10,830,042           | -                       | -                                      | -                                       | 10,830,042                              |
| Capital outlay                         | -                    | -                       | 7,979,194                              | 2,524,535                               | 10,503,729                              |
| Debt service:                          |                      |                         |  |   |   |
| Principal                              | 685,815              | 2,382,398               | -                                      | -                                       | 3,068,213                               |
| Interest and other charges             | 48,623               | 2,699,847               | 480,182                                | 66,677                                  | 3,295,329                               |
| Total expenditures                     | <u>37,236,704</u>    | <u>5,082,245</u>        | <u>8,459,376</u>                       | <u>5,967,991</u>                        | <u>56,746,316</u>                       |
| Revenues over (under)<br>expenditures  | <u>6,706,971</u>     | <u>(4,973,063)</u>      | <u>(7,838,025)</u>                     | <u>(1,983,139)</u>                      | <u>(8,087,256)</u>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                      |                         |  |   |   |
| Transfers from other funds             | 2,295,419            | 4,025,193               | -                                      | 8,612,080                               | 14,932,692                              |
| Transfers to other funds               | (7,243,762)          | -                       | (1,137,629)                            | (4,671,301)                             | (13,052,692)                            |
| Transfer from component unit           | 5,000                | -                       | -                                      | -                                       | 5,000                                   |
| Proceeds from debt                     | 576,905              | 26,058,158              | 30,455,638                             | 1,572,671                               | 58,663,372                              |
| Refunding escrow payments              | -                    | (25,848,027)            | -                                      | -                                       | (25,848,027)                            |
| Total other financing sources and uses | <u>(4,366,438)</u>   | <u>4,235,324</u>        | <u>29,318,009</u>                      | <u>5,513,450</u>                        | <u>34,700,345</u>                       |
| Net changes in fund balances           | 2,340,533            | (737,739)               | 21,479,984                             | 3,530,311                               | 26,613,089                              |
| Fund balances, beginning               | 8,087,053            | 737,739                 | -                                      | 3,985,359                               | 12,810,151                              |
| Fund balances, ending                  | <u>\$ 10,427,586</u> | <u>\$ -</u>             | <u>\$ 21,479,984</u>                   | <u>\$ 7,515,670</u>                     | <u>\$ 39,423,240</u>                    |

**Rutherford County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2003**

Amounts reported for governmental activities in the statement of activities are different because:

|  |                              |
|--|------------------------------|
| Net changes in fund balances - total governmental funds  | \$ 26,613,089                |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.  | 2,506,892                    |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   | 72,267                       |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (30,007,308)                 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.  | <u>(395,555)</u>             |
| Total changes in net assets of governmental activities   | <u><u>\$ (1,210,615)</u></u> |

The accompanying notes are an integral part of this financial statement.



**Rutherford County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2003**

|  | <b>General Fund</b>        |                         |                      | <b>Variance</b>                               |
|--|----------------------------|-------------------------|----------------------|---|
|  | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>        | <b>With Final<br/>Positive<br/>(Negative)</b> |
| Revenues:  |                            |                         |                      |   |
| Ad valorem taxes   | \$ 23,135,846              | \$ 23,234,846           | \$ 24,033,525        | \$ 798,679                                    |
| Local option sales taxes   | 9,421,357                  | 9,421,357               | 9,107,457            | (313,900)                                     |
| Restricted intergovernmental   | 7,285,393                  | 7,596,727               | 7,100,327            | (496,400)                                     |
| Permits and fees   | 735,350                    | 770,691                 | 1,092,816            | 322,125                                       |
| Sales and services   | 1,545,932                  | 1,462,999               | 2,116,974            | 653,975                                       |
| Investment earnings  | 550,000                    | 550,000                 | 375,688              | (174,312)                                     |
| Miscellaneous  |                            | 92,209                  | 116,888              | 24,679  |
| Total revenues   | <u>42,673,878</u>          | <u>43,128,829</u>       | <u>43,943,675</u>    | <u>814,846</u>                                |
| Expenditures:  |                            |                         |                      |   |
| Current:   |                            |                         |                      |   |
| General government   | 4,096,182                  | 4,294,300               | 3,948,103            | 346,197                                       |
| Public safety  | 7,511,196                  | 7,622,850               | 7,467,429            | 155,421                                       |
| Environmental protection   | 106,637                    | 106,637                 | 100,813              | 5,824   |
| Economic and physical development  | 699,285                    | 802,968                 | 675,224              | 127,744                                       |
| Human services   | 14,440,051                 | 14,702,009              | 13,119,093           | 1,582,916                                     |
| Cultural and recreational  | 362,223                    | 363,223                 | 361,562              | 1,661   |
| Contingency  | 63,000                     | -                       | -                    | -   |
| Intergovernmental:   |                            |                         |                      |   |
| Education  | 10,730,042                 | 10,830,042              | 10,830,042           | -   |
| Total current expenditures   | <u>38,008,616</u>          | <u>38,722,029</u>       | <u>36,502,266</u>    | <u>2,219,763</u>                              |
| Debt service:  |                            |                         |                      |   |
| Principal retirement   |                            |                         | 685,815              |   |
| Interest and other charges   |                            |                         | 48,623               |   |
| Total debt service   | <u>736,496</u>             | <u>736,496</u>          | <u>734,438</u>       | <u>2,058</u>                                  |
| Total expenditures   | <u>38,745,112</u>          | <u>39,458,525</u>       | <u>37,236,704</u>    | <u>2,221,821</u>                              |
| Revenues over (under) expenditures   | <u>3,928,766</u>           | <u>3,670,304</u>        | <u>6,706,971</u>     | <u>3,036,667</u>                              |
| Other financing sources (uses):  |                            |                         |                      |   |
| Transfers from other funds   | 333,562                    | 2,313,562               | 2,295,419            | (18,143)                                      |
| Transfers to other funds   | (5,263,983)                | (7,285,398)             | (7,243,762)          | 41,636  |
| Transfers from proprietary component unit  | -                          | 5,000                   | 5,000                | -   |
| Proceeds from capital lease  | 634,590                    | 634,590                 | 576,905              | (57,685)                                      |
| Appropriated fund balances   | 367,065                    | 661,942                 | -                    | (661,942)                                     |
| Total other financing sources (uses)   | <u>(3,928,766)</u>         | <u>(3,670,304)</u>      | <u>(4,366,438)</u>   | <u>(696,134)</u>                              |
| Revenues and other financing sources over<br>expenditures and other financing uses | <u>\$ -</u>                | <u>\$ -</u>             | <u>2,340,533</u>     | <u>\$ 2,340,533</u>                           |
| Fund balances:   |                            |                         |                      |   |
| Beginning of year, July 1  |                            |                         | 8,087,053            |   |
| End of year, June 30   |                            |                         | <u>\$ 10,427,586</u> |   |

The accompanying notes are an integral part of this financial statement.

**Rutherford County, North Carolina**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2003**

|  | <u>Enterprise Funds</u><br><u>Solid</u><br><u>Waste</u><br><u>Disposal</u><br><u>Fund</u> |
|--|---|
| <b>ASSETS</b>  |   |
| Current assets:  |   |
| Cash and cash equivalents                              | \$ 1,482,383  |
| Receivables, net                                       | 410,360   |
| Due from General Fund                                  | 125,000   |
| Total current assets                                   | <u>2,017,743</u>  |
| Capital assets:  |   |
| Land, improvements, and construction<br>in progress    | 527,912   |
| Other capital assets, net of depreciation              | 2,291,486   |
| Total capital assets                                   | <u>2,819,398</u>  |
| Other long-term assets:                                |   |
| Due from General Fund                                  | <u>1,725,000</u>  |
| Total noncurrent assets                                | 4,544,398   |
| Total assets   | <u>6,562,141</u>  |
| <b>LIABILITIES</b>                                     |   |
| Current liabilities:                                   |   |
| Accounts payable                                       | 177,278   |
| Current portion of long-term debt                      | 95,000  |
| Total current liabilities                              | <u>272,278</u>  |
| Noncurrent liabilities:                                |   |
| Accrued landfill closure and<br>postclosure care costs | 1,980,140   |
| Long-term debt   | 893,986   |
| Total noncurrent liabilities                           | <u>2,874,126</u>  |
| Total liabilities                                      | <u>3,146,404</u>  |
| <b>NET ASSETS</b>                                      |   |
| Invested in capital assets, net of related debt        | 1,830,412   |
| Unrestricted   | 1,585,325   |
| Total net assets                                       | <u>\$ 3,415,737</u>   |

The accompanying notes are an integral part of this financial statement.

**Rutherford County, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2003**

|   | <u><b>Enterprise Funds</b></u> |
|---|--------------------------------|
|   | <u><b>Solid</b></u>            |
|   | <u><b>Waste</b></u>            |
|   | <u><b>Disposal</b></u>         |
|   | <u><b>Fund</b></u>             |
| <b>OPERATING REVENUES</b>                   |                                |
| Charges for services                        | \$ 3,152,322                   |
| Miscellaneous                               | 178,239                        |
| Total operating revenues                    | <u>3,330,561</u>               |
| <b>OPERATING EXPENSES</b>                   |                                |
| Salaries, wages, and fringe benefits        | 947,175                        |
| Maintenance and repairs                     | 77,136                         |
| Other operating expenses                    | 1,801,417                      |
| Landfill closure and postclosure care costs | 8,836                          |
| Depreciation                                | 291,854                        |
| Total operating expenses                    | <u>3,126,418</u>               |
| Operating income                            | <u>204,143</u>                 |
| <b>NONOPERATING REVENUES (EXPENSES)</b>     |                                |
| Interest and investment revenue             | 8,344                          |
| Interest and other charges                  | (55,490)                       |
| Total nonoperating revenue (expenses)       | <u>(47,146)</u>                |
| Income before transfers                     | 156,997                        |
| Transfers from (to) other funds             | (30,000)                       |
| Changes in net assets                       | 126,997                        |
| Total net assets, beginning                 | <u>3,288,740</u>               |
| Total net assets, ending                    | <u><u>\$ 3,415,737</u></u>     |

The accompanying notes are an integral part of this financial statement.

**Rutherford County, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2003**

|   | <u><b>Enterprise Funds</b></u> |
|---|--------------------------------|
|   | <b>Solid</b>                   |
|   | <b>Waste</b>                   |
|   | <b>Disposal</b>                |
|   | <b>Fund</b>                    |
| Cash flows from operating activities:                     |                                |
| Cash received from customers                              | \$ 3,284,920                   |
| Cash paid for goods and services                          | (1,967,681)                    |
| Cash paid to employees for services                       | (939,834)                      |
| Net cash provided by operating activities                 | <u>377,405</u>                 |
| Cash flows from noncapital financing activities:          |                                |
| Advances to other funds                                   | (1,850,000)                    |
| Transfers out   | (30,000)                       |
| Net cash used by noncapital financing activities          | <u>(1,880,000)</u>             |
| Cash flows from capital and related financing activities: |                                |
| Acquisition and construction of capital assets            | (483,372)                      |
| Principal paid on bond maturities                         | (90,242)                       |
| Interest paid on bond maturities                          | (55,490)                       |
| Net cash used by capital and related financing activities | <u>(629,104)</u>               |
| Cash flows from investing activities:                     |                                |
| Interest on investments                                   | <u>8,344</u>                   |
| Net decrease in cash and cash equivalents                 | (2,123,355)                    |
| Cash and cash equivalents, beginning of year              | <u>3,605,738</u>               |
| Cash and cash equivalents, end of year                    | <u><u>\$ 1,482,383</u></u>     |

The accompanying notes are an integral part of this financial statement.

**Rutherford County, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2003**

**Exhibit 8**

|   | <u>Enterprise Funds</u> |
|---|-------------------------|
|   | <u>Solid</u>            |
|   | <u>Waste</u>            |
|   | <u>Disposal</u>         |
|   | <u>Fund</u>             |
| <b>Reconciliation of operating income</b> |                         |
| <b>to net cash provided by operating</b>  |                         |
| <b>activities:</b>                        |                         |
| Operating income                          | \$ 204,143              |
| Adjustments to reconcile operating        |                         |
| income to net cash provided by            |                         |
| operating activities:                     |                         |
| Depreciation                              | 291,854                 |
| Landfill closure and postclosure          |                         |
| care costs                                | (22,023)                |
| Changes in assets and liabilities:        |                         |
| (Increase) decrease in receivables        | (45,641)                |
| Increase (decrease) in accounts           |                         |
| payable and accrued liabilities           | (50,928)                |
| Total adjustments                         | 173,262                 |
| Net cash provided by operating activities | \$ 377,405              |

The accompanying notes are an integral part of this financial statement.

**Rutherford County, North Carolina**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2003**

Agency  
Fund

---

**ASSETS**

Cash and cash equivalents

\$ 242,404  
\$ 242,404

**LIABILITIES**

Accounts payable

\$ 25,583

Due to other taxing units

106,099

Due to beneficiaries

110,722

\$ 242,404

The accompanying notes are an integral part of this financial statement.

## **RUTHERFORD COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2003

#### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Rutherford County and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

##### **(A) Reporting Entity**

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. One component unit of the County has no financial transactions or account balances; therefore, it does not appear in the basic financial statements. The three discretely presented component units presented below are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

##### **Rutherford County Industrial Facility and Pollution Control Financing Authority**

The Rutherford County Industrial Facility and Pollution Control Financing Authority ("Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements.

##### **Economic Development Commission and Rutherford County Airport Authority**

The County appoints a majority of the Board of Directors of the Economic Development Commission ("Commission") and the Rutherford County Airport Authority ("Authority"). Operations of the Commission and Authority are budgeted and administered as a part of the general fund. The Commission and Authority do not issue separate financial statements. The Statement of Net Assets and Statement of Activities for these two governmental activity component units are discretely presented in separate columns in the government-wide financial statements.

##### **Rutherford County Transit Administration**

The Rutherford County Transit Administration, Inc. ("Transit Administration") is a non-profit corporation organized to coordinate and provide the most cost effective method of transportation services for Rutherford County. The County appoints a majority of the Board of Directors for the Transit Administration and is able to impose its will on the Transit Administration. The Transit Administration, which has a June 30 year-end, is presented as if it were a business activity component unit. The Transit Administration does not issue separate financial statements. The Statement of Net Assets and Statement of Activities includes a separate column for this business-type activity.

**(B) Basis of Presentation – Basis of Accounting****Basis of Presentation, Measurement Focus - Basis of Accounting**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

*General Fund.* This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Debt Service Fund.* This fund accounts for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.

*School Capital Projects.* This fund accounts for the construction of local public schools. Sales tax, general obligation bonds, and certificates of participation are used to finance these projects. Once constructed, the assets will be capitalized by the local school units.

The County reports the following major enterprise fund:

*Solid Waste Disposal Fund.* This fund accounts for the solid waste collection and disposal operations and is financed with user fees.



The County reports the following fund types:

*Agency Funds.* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Agriculture Department Advisory Council Fund, which accounts for monies deposited for the benefit of the Council; the Cities Tax Collection Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County; and the Detention Center Commissary Fund, which accounts for monies deposited with the County for the benefit of inmates.

### **Measurement Focus, Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the

amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Rutherford County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2002 through February 2003 apply to the fiscal year ended June 30, 2003. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2003 because they are intended to finance the County's operations during the 2004 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The County has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

(C) **Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, the special revenue, the debt service and enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue and proprietary funds, and at the object level for the capital projects funds. All amendments at the functional level must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 - The budget ordinance shall be approved by the governing board.

(D) **Assets, Liabilities, and Fund Equity**

(1) **Deposits and Investments**

The deposits of the County and Transit Administration are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and Transit Administration may designate, as an official depository, any bank, or savings association whose principal office is located in North Carolina. The County and Transit Administration may also establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the County and Transit Administration to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County and Transit Administration's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at amortized cost.

(2) **Cash and Cash Equivalents**

The County pools money from several funds to facilitate disbursement and investment and maximize investment income. Therefore all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

(3) **Restricted Assets**

Cash and cash equivalents held in escrow are restricted as follows:

|  |                      |
|--|----------------------|
| Reserved for school construction           | \$ 19,998,870        |
| Reserved for county buildings construction | <u>679,335</u>       |
|  | <u>\$ 20,678,205</u> |

**(4) Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

**(5) Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**(6) Inventory**

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The inventories are held for consumption and the costs are recorded as an expenditure when consumed.

**(7) Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Rutherford County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Rutherford County Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Buildings               | 50           |
| Improvements            | 25           |
| Furniture and equipment | 10           |
| Vehicles                | 6            |
| Computer equipment      | 3            |

**(8) Long-Term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

(9) **Compensated Absences**

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County, provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

(10) **Net Assets/Fund Balances**

**Net Assets**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**Fund Balances**

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

**Reserved**

Reserved for inventories and prepaid items - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories and prepaid items, which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Reserved for Court Facilities – portion of fund balance available for court facilities.

Reserved for register of deeds – portion of fund balance available to pay for computer and imaging technology in the office of the register of deeds.

Reserved for Wireless 911 expenditures – portion of fund balance available for lease, purchase or maintenance of emergency telephone equipment for the wireless enhanced 911 systems (including necessary computer hardware, software and data base provisioning), the nonrecurring cost of establishing a wireless enhanced 911 system, and rates associated with the local telephone companies' charges related to the operation of the wireless enhanced 911 system.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2003-2004 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

(E) **Reconciliation of Government-wide and Fund Financial Statements**

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$(42,966,160) consists of several elements as follows:

| <u>Description</u>   | <u>Amount</u>          |
|--|------------------------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column) | \$ 29,173,729          |
| Less Accumulated Depreciation  | <u>(10,471,784)</u>    |
| Net capital assets   | 18,701,945             |
| Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.                    | 83,000                 |
| Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide  | 2,076,842              |
| Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:                                 |                        |
| Bonds, leases, and installment financing   | (60,556,191)           |
| Due to business-type activities  | (1,850,000)            |
| Compensated absences and pension   | (972,171)              |
| Accrued interest payable   | <u>(449,585)</u>       |
| Total adjustment   | <u>\$ (42,966,160)</u> |

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(27,823,704) as follows:

| <u>Description</u>   | <u>Amount</u> |
|--|---------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets   | \$ 3,521,879  |
| Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.  | (1,014,987)   |
| New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets | (58,512,470)  |
| Refunding escrow payments paid during the year; it has no effect on the statement of activities – it affects only the government-wide statement of net assets  | 25,436,949    |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements                              | 3,068,213     |
| Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.                                      |               |
| Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)  | (257,789)     |
| Pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources   | (39,231)      |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources  | (98,535)      |

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:

|   |                        |
|---|------------------------|
| Reversal of deferred tax revenue recorded at July 1, 2002                     | (1,513,649)            |
| Recording of tax receipts deferred in the fund statements as of June 30, 2003 | 1,695,832              |
| Reversal of other deferred revenue recorded at July 1, 2002                   | (510,926)              |
| Recording of other revenues deferred in fund statements at June 30, 2003      | <u>401,010</u>         |
| Total adjustment  | <u>\$ (27,823,704)</u> |

## Note 2 - Deficit Retained Earnings - Solid Waste Reserve Fund

As of June 30, 2003, Rutherford County's Solid Waste Reserve Fund has a retained earnings deficit of \$126,299. The following schedule reconciles the retained earnings balance as presented on the County's Statement of Net Assets.

|                   | <u>Solid Waste<br/>Fund</u> | <u>Solid Waste<br/>Reserve Fund</u> | <u>Total</u> |
|-------------------|-----------------------------|-------------------------------------|--------------|
| Retained earnings | \$ 3,542,036                | \$ (126,299)                        | \$ 3,415,737 |

## Note 3 - Assets

### (A) Deposits

All of the County's and Transit Administration's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's and Transit Administration's agents in those units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and Transit Administration, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, Transit Administration, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2003, the County's deposits had a carrying amount of \$3,209,135 (including \$679,335 in restricted escrow accounts) and a bank balance of \$3,692,427. Of the bank balance, \$342,270 was covered by federal depository insurance, and \$3,350,157 in interest bearing deposits were covered by collateral held under the Pooling Method.



The County also has petty cash on hand at June 30, 2003 of \$1,490.

The Transit Administration's deposits had a carrying amount and bank balance of \$24,044, all of which was covered by federal depository insurance.

(B) **Investments**

The County's investments are categorized to give an indication of the level of custodial risk assumed at year-end. In the following tables, Column A includes investments that are insured or registered or for which the securities are held by the County or their agent in the entity's name. Column B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Column C includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. All of the County's investment securities are insured or registered or held by the County, or their agents in the County's name. The County's investments in the North Carolina Capital Management Trust are exempt from risk categorization because the County does not own any identifiable securities in these mutual funds. The County's investments as of June 30, 2003 are as follows:

|  | Categories |      |      | Reported            | Fair                |
|--|------------|------|------|---------------------|---------------------|
|  | A          | B    | C    | Value               | Value               |
| U.S. Government Agencies                                     | \$ 632,533 | \$ — | \$ — | \$ 632,533          | \$ 632,533          |
| North Carolina Capital<br>Management Trust<br>Cash Portfolio |            |      |      |                     |                     |
| Unrestricted   |            |      |      | 14,538,667          | 14,538,667          |
| Restricted   |            |      |      | 19,998,870          | 19,998,870          |
| Total Investments  |            |      |      | <u>\$35,170,070</u> | <u>\$35,170,070</u> |

Such investments are included in "Cash and Cash Equivalents" in these financial statements.

(C) **Receivables**

|                                  | Accounts          | Taxes and<br>Related<br>Accrued<br>Interest | Special<br>Assessments | Due from Other<br>Governments | Other       | Total               |
|----------------------------------|-------------------|---|------------------------|-------------------------------|-------------|---------------------|
| Governmental Activities:         |                   |   |                        |                               |             |                     |
| General                          | \$ 1,219,897      | \$ 2,154,023                                | \$ —                   | \$ 3,113,249                  | \$ —        | \$ 6,487,169        |
| Other Governmental               | 211,188           | 119,809                                     | —                      | 38,812                        | —           | 369,809             |
| Total receivables                | 1,431,085         | 2,273,832                                   | —                      | 3,152,061                     | —           | 6,856,978           |
| Allowance for doubtful accounts  | 842,000           | 515,000                                     | —                      | —                             | —           | 1,357,000           |
| Total-governmental activities    | <u>\$ 589,085</u> | <u>\$ 1,758,832</u>                         | <u>\$ —</u>            | <u>\$ 3,152,061</u>           | <u>\$ —</u> | <u>\$ 5,499,978</u> |
| Business-type Activities         |                   |   |                        |                               |             |                     |
| Solid waste                      | \$ 436,360        | \$ —  | \$ —                   | \$ —                          | \$ —        | \$ 436,360          |
| Total receivables                | 436,360           | —   | —                      | —                             | —           | 436,360             |
| Allowance for doubtful accounts  | 26,000            | —   | —                      | —                             | —           | 26,000              |
| Total - business-type activities | <u>\$ 410,360</u> | <u>\$ —</u>                                 | <u>\$ —</u>            | <u>\$ —</u>                   | <u>\$ —</u> | <u>\$ 410,360</u>   |

The due from other governments that is owed to the County consists of the following:

|                        |                     |
|------------------------|---------------------|
| Local option sales tax | \$ 2,708,281        |
| Other                  | 443,780             |
| Total                  | <u>\$ 3,152,061</u> |

**(D) Capital Assets**

Capital asset activity for the year ended June 30, 2003, was as follows:

**Primary Government**

|  | Beginning<br>Balances | Increases  | Decreases | Ending<br>Balances |
|--|-----------------------|------------|-----------|--------------------|
| Governmental activities:                       |                       |            |           |                    |
| Capital assets not being depreciated:          |                       |            |           |                    |
| Land   | \$ 781,147            | \$ 422,073 | \$ —      | \$ 1,203,220       |
| Construction in progress                       | 2,379,025             | (328,653)  | —         | 2,050,372          |
| Total capital assets<br>not being depreciated  | 3,160,172             | 93,420     | —         | 3,253,592          |
| Capital assets being depreciated:              |                       |            |           |                    |
| Buildings                                      | 16,528,377            | 2,699,835  | 5,090     | 19,223,122         |
| Other improvements                             | 473,473               | 13,224     | —         | 486,697            |
| Equipment                                      | 2,462,633             | 322,558    | —         | 2,785,191          |
| Vehicles                                       | 3,052,361             | 392,842    | 20,076    | 3,425,127          |
| Total capital assets<br>being depreciated      | 22,516,844            | 3,428,459  | 25,166    | 25,920,137         |
| Less accumulated depreciation for:             |                       |            |           |                    |
| Buildings                                      | 5,021,886             | 420,174    | 5,090     | 5,436,970          |
| Other improvements                             | 371,285               | 17,419     | —         | 388,704            |
| Equipment                                      | 1,980,279             | 216,271    | —         | 2,196,550          |
| Vehicles                                       | 2,108,513             | 361,123    | 20,076    | 2,449,560          |
| Total accumulated depreciation                 | 9,481,963             | 1,014,987  | 25,166    | 10,471,784         |
| Total capital assets<br>being depreciated, net | 13,034,881            |            |           | 15,448,353         |
| Governmental activities capital<br>assets, net | \$ 16,195,053         |            |           | \$ 18,701,945      |
| Business-type activities:                      |                       |            |           |                    |
| Solid Waste Disposal                           |                       |            |           |                    |
| Capital assets not being depreciated:          |                       |            |           |                    |
| Land   | \$ 527,912            | \$ —       | \$ —      | \$ 527,912         |
| Total capital assets<br>not being depreciated  | 527,912               | —          | —         | 527,912            |
| Capital assets being depreciated:              |                       |            |           |                    |
| Building and improvements                      | 2,542,285             | 120,738    | —         | 2,663,023          |
| Equipment                                      | 1,487,946             | 341,650    | —         | 1,829,596          |
| Vehicles                                       | 412,629               | 20,984     | —         | 433,613            |
| Total capital assets<br>being depreciated      | 4,442,860             | 483,372    | —         | 4,926,232          |
| Less accumulated depreciation for:             |                       |            |           |                    |
| Building and improvements                      | 853,477               | 148,969    | —         | 1,002,446          |
| Equipment                                      | 1,225,969             | 99,355     | —         | 1,325,324          |
| Vehicles                                       | 263,446               | 43,530     | —         | 306,976            |
| Total accumulated<br>depreciation              | 2,342,892             | 291,854    | —         | 2,634,746          |
| Total capital assets being<br>depreciated, net | 2,099,968             |            |           | 2,291,486          |
| Solid Waste Disposal capital                   |                       |            |           |                    |

|             |              |                     |
|-------------|--------------|---------------------|
| assets, net | \$ 2,627,880 | \$ <u>2,819,398</u> |
|-------------|--------------|---------------------|

Depreciation expense was charged to functions/programs of the primary government as follows:

|                                   |    |                  |
|-----------------------------------|----|------------------|
| Governmental activities           |    |                  |
| General Government                | \$ | 168,236          |
| Public Safety                     |    | 553,119          |
| Economic and physical development |    | 30,996           |
| Human services                    |    | 200,761          |
| Cultural and recreational         |    | 51,858           |
| Education                         |    | <u>10,017</u>    |
| Total depreciation expense        | \$ | <u>1,014,987</u> |
|                                   |    |                  |
| Business-type activities          |    |                  |
| Solid Waste Disposal              | \$ | <u>291,854</u>   |
| Total depreciation expense        | \$ | <u>291,854</u>   |

#### Discretely presented component units

Activity for the Rutherford County Regional Airport for the year ended June 30, 2003 was as follows:

|  |                  |                  |    |                     |
|--|------------------|------------------|----|---------------------|
| Capital assets not being depreciated:                  |                  |                  |    |                     |
| Land   | \$               | 62,847           | \$ | —                   |
| Total capital assets not being depreciated             |                  | <u>62,847</u>    | —  | <u>62,847</u>       |
|  |                  |                  |    |                     |
| Capital assets being depreciated:                      |                  |                  |    |                     |
| Building and improvements                              | 2,786,700        | —                | —  | 2,786,700           |
| Equipment  | <u>82,522</u>    | —                | —  | <u>84,493</u>       |
| Total capital assets being depreciated                 | <u>2,871,193</u> | —                | —  | <u>2,871,193</u>    |
|  |                  |                  |    |                     |
| Less accumulated depreciation for:                     |                  |                  |    |                     |
| Building and improvements                              | 497,179          | 85,389           | —  | 2,786,700           |
| Equipment  | <u>82,522</u>    | <u>1,971</u>     | —  | <u>84,493</u>       |
| Total accumulated depreciation                         | <u>579,701</u>   | <u>87,360</u>    | —  | <u>667,061</u>      |
| Total capital assets being depreciated, net            | <u>2,871,193</u> |                  |    | <u>2,204,132</u>    |
| Rutherford County Regional Airport capital assets, net | \$               | <u>2,354,339</u> |    | \$ <u>2,266,979</u> |

Activity for the Rutherford County Transit Administration for the year ended June 30, 2003 was as follows:

|  |                |                |                |                   |
|--|----------------|----------------|----------------|-------------------|
| Capital assets being depreciated:                            |                |                |                |                   |
| Equipment  | \$             | 17,167         | \$             | —                 |
| Vehicles   | <u>834,560</u> | <u>132,913</u> | <u>181,058</u> | <u>786,4153</u>   |
| Total capital assets being depreciated                       | <u>851,727</u> | <u>132,913</u> | <u>181,058</u> | <u>803,582</u>    |
|  |                |                |                |                   |
| Less accumulated depreciation for:                           |                |                |                |                   |
| Equipment  | 13,982         | 849            | —              | 14,831            |
| Vehicles   | <u>591,248</u> | <u>94,748</u>  | <u>181,058</u> | <u>504,938</u>    |
| Total accumulated depreciation                               | <u>605,230</u> | <u>95,597</u>  | <u>181,058</u> | <u>519,769</u>    |
| Total capital assets being depreciated, net                  | <u>246,497</u> |                |                | <u>283,813</u>    |
| Rutherford County Transit Administration capital assets, net | \$             | <u>246,497</u> |                | \$ <u>283,813</u> |

**Note 4 - Liabilities****(A) Payables**

Payables at the government-wide level at June 30, 2003, were as follows:

|                                  | <u>Vendors</u>    | <u>Salaries and<br/>Accrued<br/>Benefits</u> | <u>Interest</u>   | <u>Total</u>      |
|----------------------------------|-------------------|--|-------------------|-------------------|
| Governmental Activities          |                   |  |                   |                   |
| General                          | \$ 269,447        | \$ 828                                       | \$ 449,585        | \$ 719,860        |
| Other Governmental               | 82,873            | —  | —                 | 82,873            |
| Total-governmental activities    | <u>\$ 352,320</u> | <u>\$ 828</u>                                | <u>\$ 449,585</u> | <u>\$ 802,733</u> |
| Business-type Activities         |                   |  |                   |                   |
| Solid waste                      | \$ 142,924        | \$ 34,354                                    | \$ —              | \$ 177,278        |
| Total - business-type activities | <u>\$ 142,924</u> | <u>\$ 34,354</u>                             | <u>\$ —</u>       | <u>\$ 177,278</u> |

**(B) Pension Plan Obligations***North Carolina Local Governmental Employees' Retirement System*

*Plan Description:* The County and component units contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy:* Plan members are required to contribute six percent of their annual covered salary. The County, Rutherford County Transit Administration, and Economic Development Commission are required to contribute at an actuarially determined rate. For County employees not engaged in law enforcement, Rutherford County Transit Administration employees, and Economic Development Commission employees, the current rate is 4.93% of annual covered payroll. For County law enforcement officers the current rate is 4.78% of annual covered payroll. The contribution requirements of members and of the County, Rutherford County Transit Administration, and Economic Development Commission are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2003, 2002, and 2001 were \$1,080,746, \$1,090,754, and \$1,034,455, respectively. The Rutherford County Transit Administration's contributions to LGERS for the years ended June 30, 2003, 2002, and 2001 were \$6,720, \$6,707, and \$5,882, respectively. The Economic Development Commission's contributions to LGERS for the years ended June 30, 2003, 2002, and 2001 were \$6,203, \$5,050, and \$4,540, respectively. The contributions made by the County, Rutherford County Transit Administration, and Economic Development Commission equaled the required contributions for the year.

*Law Enforcement Officers Special Separation Allowance*

*Plan Description:* The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases

in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. There are no separately reported pension trust fund financial statements as it is being funded by a pay-as-you-go basis and no assets have been accumulated.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2002, the Separation Allowance's membership consisted of:

|                             |           |
|-----------------------------|-----------|
| Retirees receiving benefits | 2         |
| Active plan members         | <u>58</u> |
| Total                       | <u>60</u> |

*Summary of Significant Accounting Policies:*

- a. *Basis of Accounting:* The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.
- b. *Method Used to Value Investments:* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Contributions:* the County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses); and (b) projected salary increases ranging from 5.9% to 9.8% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2002 was 28 years.

*Annual Pension Cost and Net Pension Obligation:* The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 62,120         |
| Interest on net pension obligation         | 13,929            |
| Adjustment to annual required contribution | <u>(10,321)</u>   |
| Annual pension cost                        | 65,728            |
| Contributions made                         | <u>26,497</u>     |
| Increase in net pension obligation         | 39,231            |
| Net pension obligation beginning of year   | <u>192,128</u>    |
| Net pension obligation end of year         | <u>\$ 231,359</u> |

**Three Year Trend Information**

| <u>Fiscal<br/>Year Ended</u> | <u>Annual Pension<br/>Cost (APC)</u> | <u>% of APC<br/>Contributed</u> | <u>Net Pension<br/>Obligation</u> |
|------------------------------|--------------------------------------|---------------------------------|-----------------------------------|
| 6/30/03                      | \$ 65,728                            | 40.31%                          | \$ 231,259                        |
| 6/30/02                      | 61,963                               | 38.12%                          | 192,128                           |
| 6/30/01                      | 42,999                               | 31.49%                          | 153,785                           |

The net pension obligation as of June 30, 2003 is included in the General Long-Term Debt Account Group.

*Supplemental Retirement Income Plan for Law Enforcement Officers*

*Plan Description:* the County contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2003 were \$220,192, which consisted of \$97,636 from the County and \$122,556 from the law enforcement officers.

*Supplemental Retirement Income Plan for General Employees*

*Plan Description:* The County, Rutherford County Transit Administration, and Economic Development Commission voluntarily contribute to the Supplemental Retirement Income Plan for all full-time non-law enforcement employees.

*Funding Policy:* The County, Rutherford County Transit Administration, and Economic Development Commission contribute each month an amount equal to 4% of each full-time non-law enforcement employee's salary. Employee contributions are voluntary. An additional amount equal to one percent of an employee's salary is contributed by the County, Rutherford County Transit Administration, and Economic Development Commission each month for those employees who have chosen to contribute at least one percent themselves. All amounts are vested immediately. Contributions from the County for the fiscal year ended June 30, 2003 were \$625,126, which consisted of \$457,989 from the County and \$165,137 from the employees. Contributions from the Rutherford County Transit Administration for the fiscal year ended June 30, 2003 were \$7,302, which consisted of \$6,169 from the Rutherford County Transit Administration and \$1,133 from the employees. Contributions from the Economic Development Commission for the fiscal year ended June 30, 2003 were \$7,246, which consisted of \$5,874 from the Economic Development Commission and \$1,372 from the employees.

*Postemployment Benefits*

In addition to providing pension benefits, the County has elected to provide postretirement health benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have twenty years of creditable service with the County. The County pays the full cost of coverage for these benefits. Currently, 42 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2005, the County made payments for postretirement health benefit premiums of \$161,431. The County is not obligated by statutory, contractual or other authority to make contributions for postemployment benefits.

The County, Rutherford County Transit Administration, and Economic Development Commission, have elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The County, Rutherford County Transit Administration, and Economic Development Commission, have no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, Rutherford County Transit Administration, nor Economic Development Commission, the County, Rutherford County Transit Administration, and Economic Development Commission, do not determine the number of eligible participants. For the fiscal year ended June 30, 2003, the County made contributions to the State for death benefits of \$29,270. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .13% and .14% of covered payroll, respectively. For the fiscal year ended June 30, 2003, the Rutherford County Transit Administration, and Economic Development Commission made required contributions of \$182 and \$168, respectively representing .13% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

Registers of Deeds' Supplemental Pension Fund

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), which is a non-contributory defined contribution plan. As established by the North Carolina General Assembly (Article 3 of G.S. 161), effective October 1, 1987, this plan covers any county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan.

On a monthly basis the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety percent (90%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining ten percent (10%) of the Fund's assets may be used by the State Treasurer in administering the Fund.

Any county Register of Deeds who has retired with at least 10 years eligible service as register of deeds under the LGERS or an equivalent locally sponsored plan before June 30, 1988, and those who retire thereafter who have completed at least 10 years of eligible service as register of deeds are entitled to receive a monthly pension payment under this plan.

An eligible retired register of deeds is entitled to receive an annual pension benefit, payable in equal monthly installments, equal to one share for each full year of eligible service as register of deeds multiplied by his/her total number of years of eligible service. The amount of each share shall be determined by dividing the total number of years of eligible service for all eligible retired registers of deeds on December 31 of each calendar year into the amount to be disbursed. Benefits received under this plan may not exceed the lessor of 1) \$1,000 per month, or 2) an amount which, when added to benefits received under the LGERS or an equivalent plan and any benefits received from employer contributions to the Supplemental Retirement Income Plan, would exceed 75% of the recipient's equivalent annual salary immediately preceding retirement computed on a monthly base rate.

Monthly pensions payable under this plan cease at the death of the pensioner and no payment is made to any beneficiaries or to the descendant's estate. Monthly pensions also cease if a pensioner becomes a full-time employee that participates in the LGERS.

For the year ended June 30, 2003, the County's required and actual contributions were \$21,094.

#### Deferred Compensation Plans

The County offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are administered by Equitable Assurance Company and Public Employees Benefit Service Corporation (PEBSCO). The plans, available to all County employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the County. In accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the County's Deferred Compensation Plan is no longer reported within the County's Agency Funds.

#### (B) Deferred / Unearned Revenues

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

|  | <u>Deferred<br/>Revenue</u> | <u>Unearned<br/>Revenue</u> |
|--|-----------------------------|-----------------------------|
| Prepaid taxes not yet earned (General)         | \$ —                        | \$ 240,919                  |
| Prepaid taxes not yet earned (Special Revenue) | —                           | 14,900                      |
| Taxes receivable, net (General)                | 1,556,023                   | —                           |
| Taxes receivable, net (Special Revenue)        | 119,809                     | —                           |
| Other receivable, (General)                    | 401,010                     | —                           |
|  | <u>\$ 2,076,842</u>         | <u>\$ 255,819</u>           |

#### (C) Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$150 million for any one occurrence, general, auto, and professional liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and worker's compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to \$2 million limit for general liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation.

The County also participates in a pool with the Rutherford/Polk Mental Health District and the Rutherford/Polk/McDowell Public Health District to provide health and dental benefits to employees.



Participants in the fully insured plan include all full-time agency employees, all retired employees with more than twenty years of service, all disabled retired employees and other participants who have the option to participate at their own expense (employee family members and terminated employees up to 18 months after termination). As of June 30, 2003, the program had 568 active participants. The plan provides medical coverage up to a lifetime maximum of \$2,000,000 per employee. Dental coverage is provided up to a maximum of \$1,500 per employee per year other than orthodontics which is a lifetime maximum of \$2,000 per eligible employee. The Insurance Plan Administrator for the fiscal year ended June 30, 2003 was Trustmark Insurance Company

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

(D) **Claims and Judgments**

The County was a defendant to various lawsuits as of June 30, 2003 including one in which a major taxpayer is requesting property tax refunds for the last eight years and various others involving employment matters. The County believes that the claims are without substantial merit and is aggressively defending itself against all allegations. The ultimate outcome of the litigation cannot be presently determined and no provision for any liability has been made in the financial statements.

**Note 6 - Long-Term Debt**

The County has entered into agreements to lease certain vehicles, buildings, equipment and furniture. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of assets recorded under capital leases as of June 30:

| <u>Classes of Property</u> | <u>2003</u>         | <u>2002</u>         |
|----------------------------|---------------------|---------------------|
| Buildings                  | \$ 9,220,810        | \$ 9,220,810        |
| Vehicles                   | 2,467,815           | 1,890,910           |
| Equipment                  | 768,631             | 518,793             |
| Furniture                  | 14,494              | 19,494              |
|                            | <u>\$12,471,750</u> | <u>\$11,650,007</u> |

The following leases are included in Long-Term Debt:

|                                | <u>Balance</u>      |                  |                    | <u>Balance</u>       |
|--------------------------------|---------------------|------------------|--------------------|----------------------|
|                                | <u>July 1, 2002</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2003</u> |
| <u>Capital Leases -</u>        |                     |                  |                    |                      |
| <u>Governmental Activities</u> |                     |                  |                    |                      |

Serviced by the General Fund:

Equipment and vehicle lease purchase agreement, monthly payments of \$16,048, including interest at 4.85% through January 2004

|            |      |            |            |
|------------|------|------------|------------|
| \$ 292,930 | \$ - | \$ 182,388 | \$ 110,542 |
|------------|------|------------|------------|

|   |           |         |           |                |
|---|-----------|---------|-----------|----------------|
| Equipment lease purchase agreement, monthly payments of \$3,715, including interest at 4.35% through March 2003                 | 32,837    | —       | 32,837    | —              |
| Equipment lease purchase agreement, monthly payments of \$11,357, including interest at 3.82%, through December 2003            | 198,367   | —       | 130,980   | <b>67,387</b>  |
| Equipment and vehicle lease purchase agreement, monthly payment of \$8,203, including interest at 4.69%, through January 2003   | 56,531    | —       | 56,531    | —              |
| Equipment lease purchase agreement, monthly payments of \$12,339, including interest at 4.81%, through December 2004            | 348,113   | —       | 134,254   | <b>213,859</b> |
| Vehicle lease purchase agreement, monthly payments of \$1,733, including interest at 4.49%, through July 2006                   | 77,472    | —       | 17,683    | <b>59,789</b>  |
| Equipment and vehicle lease purchase agreement, monthly payments of \$4,810, including interest at 3.30%, through December 2004 | 138,314   | —       | 53,962    | <b>84,352</b>  |
| Vehicle lease purchase agreement, monthly payments of \$16,747, including interest at 2.88%, through January 2006               | —         | 576,905 | 77,180    | <b>499,725</b> |
| <u>Service by E 911 Funds</u>   |           |         |           |                |
| Equipment lease purchase agreement, monthly payments of \$4,394, including interest at 3.9% through November 2007               | —         | 235,565 | 21,949    | <b>213,616</b> |
| <u>Serviced by the Debt Service Fund:</u>   |           |         |           |                |
| Public facilities lease purchase agreement, monthly payments of \$4,441, including interest at 4.97%, through May 2006          | 189,319   | —       | 44,898    | <b>144,421</b> |
| Public facilities project certificates of participation, interest at 3.75% to 5.60% due serially to 2023                        | 8,470,000 | —       | 8,470,000 | —              |

|   |                      |                      |                     |                             |
|---|----------------------|----------------------|---------------------|-----------------------------|
| Public facilities project lease purchase agreement, interest at 4.74% through July 2016                           | 3,450,000            | —                    | 137,500             | <b>3,312,500</b>            |
| Public facilities project certificates of participation interest at 1.5% due semiannually to 2023.                | —                    | 29,590,000           | —                   | <b>29,590,000</b>           |
| Public facilities project certificates of participation, interest at 2% to 5% due semiannually to 2023.           | —                    | 7,740,000            | —                   | <b>7,740,000</b>            |
| Economic Incentive Loan from the Department of Commerce, interest at 0%, payments are annually through July 2007. | —                    | 100,000              | —                   | <b>100,000</b>              |
| Total capital leases  | <u>\$ 13,253,883</u> | <u>\$ 38,242,470</u> | <u>\$ 9,360,162</u> | <u><b>\$ 42,136,191</b></u> |

The County has also entered into similar agreements to lease certain buildings and equipment for the Solid Waste Collection Centers. These leases which are accounted for in the Solid Waste Fund are as follows:

|  | <u>Balance<br/>July 1, 2002</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance<br/>June 30, 2003</u> |
|--|---------------------------------|------------------|--------------------|----------------------------------|
| <u>Capital Leases –</u>  |                                 |                  |                    |                                  |
| <u>Solid Waste Enterprise Fund:</u>  |                                 |                  |                    |                                  |
| Equipment and building lease purchase agreement, semiannual payment of \$72,866, including interest at 5.25%, through October 2011 | <u>\$ 1,079,228</u>             | <u>\$ —</u>      | <u>\$ 90,242</u>   | <u>\$ 988,986</u>                |
| Total capital leases   | <u>\$ 1,079,228</u>             | <u>\$ —</u>      | <u>\$ 90,242</u>   | <u>\$ 988,986</u>                |

The general obligation bonds included in the long-term debt account group are issued to finance the construction of County facilities. All bonds are collateralized by the faith, credit and taxing power of the County. These bonds are being serviced by the Debt Service Fund.

|  | <u>Balance<br/>July 1, 2002</u> | <u>Additions</u> | <u>Retirements</u>   | <u>Balance<br/>June 30, 2003</u> |
|--|---------------------------------|------------------|----------------------|----------------------------------|
| <u>General Obligation Bonds</u>  |                                 |                  |                      |                                  |
| Refunding bonds, 1994 \$28,675,000 issue, interest at 4.6% to 5.10%, payable semiannually, due serially to 2012. | <u>\$ 19,145,000</u>            | <u>\$ —</u>      | <u>\$ 19,145,000</u> | <u>\$ —</u>                      |
| Refunding bonds, 2003A \$1,480,000 issue interest at 3.5% to 4.7%, payable semiannually, due serially 2023.      | <u>—</u>                        | <u>1,480,000</u> | <u>—</u>             | <u><b>1,480,000</b></u>          |

|  |                      |                      |                      |                             |
|--|----------------------|----------------------|----------------------|-----------------------------|
| Refunding bonds, 2003B,<br>\$16,946,000 issue interest at 3.0%<br>to 4.5%, payable semiannually,<br>due serially 2011. | —                    | 16,940,000           | —                    | <b>16,940,000</b>           |
| Total general<br>obligation bonds  | <u>\$ 19,145,000</u> | <u>\$ 18,420,000</u> | <u>\$ 19,145,000</u> | <u><b>\$ 18,420,000</b></u> |

A summary of changes in the County's governmental activities long-term obligations follows:

|  | Long-<br>Term Debt<br>July 1, 2002 | Additions            | Retirements          | Long-<br>Term Debt<br>June 30, 2003 | Current<br>Portion of<br>Balance |
|--|------------------------------------|----------------------|----------------------|-------------------------------------|----------------------------------|
| By type of debt:                         |                                    |                      |                      |                                     |                                  |
| General obligation bonds                 | \$ 19,145,000                      | \$ 18,420,000        | \$ 19,145,000        | <b>\$ 18,420,000</b>                | <b>\$ 2,370,000</b>              |
| Capital leases                           | 13,253,883                         | 38,242,470           | 9,360,162            | <b>42,136,191</b>                   | <b>1,677,564</b>                 |
| Pension liability                        | 192,128                            | 39,231               | —                    | <b>231,359</b>                      | —                                |
| Vacation pay                             | 642,277                            | 98,535               | —                    | <b>740,812</b>                      | —                                |
| Total                                    | <u>\$ 33,233,288</u>               | <u>\$ 56,800,236</u> | <u>\$ 28,505,162</u> | <u><b>\$ 61,528,362</b></u>         | <u><b>\$ 4,047,564</b></u>       |
| By Purpose:                              |                                    |                      |                      |                                     |                                  |
| School                                   | \$ 19,145,000                      | \$ 27,795,000        | \$ 19,145,000        | <b>\$ 27,795,000</b>                |                                  |
| General government<br>-equipment         | 1,101,839                          | 812,470              | 687,764              | <b>1,226,545</b>                    |                                  |
| General government-<br>public facilities | 12,152,044                         | 28,055,000           | 8,672,398            | <b>31,534,646</b>                   |                                  |
| Pension liability                        | 192,128                            | 39,231               | —                    | <b>231,359</b>                      |                                  |
| Vacation pay                             | 642,277                            | 98,535               | —                    | <b>740,812</b>                      |                                  |
| Total                                    | <u>\$ 33,233,288</u>               | <u>\$ 56,800,236</u> | <u>\$ 28,505,162</u> | <u><b>\$ 61,528,362</b></u>         |                                  |
| Reconciliation:                          |                                    |                      |                      |                                     |                                  |
| Current portion                          |                                    |                      |                      | <b>\$ 4,047,564</b>                 |                                  |
| Subsequent years                         |                                    |                      |                      | <u><b>57,480,798</b></u>            |                                  |
|  |                                    |                      |                      | <u><b>\$ 61,528,362</b></u>         |                                  |

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

The following table summarizes the annual requirements to amortize all long-term debt outstanding at June 30, 2003 (excluding vacation pay and pension obligation):

|   | General Obligation Bonds |                     | Capitalized Leases  |                  | Certificates of Participation |                     | Total Debt Due              |                             |
|---|--------------------------|---------------------|---------------------|------------------|-------------------------------|---------------------|-----------------------------|-----------------------------|
|   | Principal                | Interest            | Principal           | Interest         | Principal                     | Interest            | Principal                   | Interest                    |
| Governmental Activities Long-Term Debt: |                          |                     |                     |                  |                               |                     |                             |                             |
| 2003/04                                 | \$ 2,370,000             | \$ 725,951          | \$ 742,564          | \$ 40,115        | \$ 935,000                    | \$ 2,256,138        | <b>\$ 4,047,564</b>         | <b>\$ 3,022,204</b>         |
| 2004/05                                 | 2,285,000                | 551,018             | 405,827             | 18,603           | 1,312,500                     | 1,692,866           | <b>4,003,327</b>            | <b>2,262,487</b>            |
| 2005/06                                 | 2,275,000                | 448,644             | 253,836             | 6,792            | 1,715,000                     | 1,656,913           | <b>4,243,836</b>            | <b>2,112,349</b>            |
| 2006/07                                 | 2,260,000                | 346,918             | 73,544              | 1,936            | 2,025,000                     | 1,595,726           | <b>4,358,544</b>            | <b>1,944,580</b>            |
| 2007/08                                 | 2,180,000                | 289,618             | 17,920              | 213              | 2,140,000                     | 1,525,126           | <b>4,337,920</b>            | <b>1,814,957</b>            |
| Next 5 years                            | 6,265,000                | 575,670             | —                   | —                | 10,880,000                    | 6,455,876           | <b>17,145,000</b>           | <b>7,031,546</b>            |
| Thereafter                              | 785,000                  | 190,170             | —                   | —                | 21,635,000                    | 5,450,104           | <b>22,420,000</b>           | <b>5,640,274</b>            |
| Total                                   | <u>\$ 18,420,000</u>     | <u>\$ 3,127,989</u> | <u>\$ 1,493,691</u> | <u>\$ 67,659</u> | <u>\$40,642,500</u>           | <u>\$20,632,749</u> | <u><b>\$ 60,556,191</b></u> | <u><b>\$ 23,828,397</b></u> |

## Business Activities Debt:

|              | Capitalized Lease |                   |
|--------------|-------------------|-------------------|
|              | Principal         | Interest          |
| 2003/04      | \$ 95,042         | \$ 50,691         |
| 2004/05      | 100,097           | 45,635            |
| 2005/06      | 105,421           | 40,311            |
| 2006/07      | 111,029           | 34,704            |
| 2007/08      | 116,934           | 28,799            |
| Next 5 years | 460,463           | 49,600            |
| Total        | <u>\$ 988,986</u> | <u>\$ 249,740</u> |

At June 30, 2003, the County had a legal debt margin of approximately \$253,819,000.

2003 Refunding

On September 15, 2002, the County issued \$8,355,000 of Series 2002 Certificates of Participation to provide resources that were placed in an irrevocable trust for the purpose of paying the principal and interest on existing \$8,470,000 COPs issued in 1994. As a result, the refunded COPs are considered to be defeased and the liability has been removed from the statement of net assets. This advanced refunding was undertaken to reduce total debt service payments over the next 19 years by \$1,289,517 and resulted in a net present value savings of \$858,489.

On April 1, 2003, the County issued \$16,940,000 of Series 2003 General Obligation Refunding Bonds to provide resources that were placed in an irrevocable trust for the purpose of paying the principal and interest on existing \$16,945,000 General Obligation Bonds issued in 1993. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. This advanced refunding was undertaken to reduce total debt service payments over the next 9 years by \$1,872,758 and resulted in a net present value savings of \$1,692,628.

As of June 30, 2003, the defeased debt outstanding at June 30, 2003 amounted to \$8,470,000 of COPs and \$16,945,000 of General Obligations Bonds.

Conduit Debt Obligations

Rutherford County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2003, there were six series of industrial revenue bonds outstanding, with issued amounts totaling \$33,150,000 and an aggregate principal amount payable of \$14,460,000.

**Note 6 - Closure and Postclosure Care Costs - Rutherford County Central Landfill**

Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. Therefore, Rutherford County closed the Rutherford County Central Landfill on December 31, 1997. State and federal laws and regulations require the County to place a final cover on this landfill upon its closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although the County has just recently started to incur closure and postclosure care costs, the County has been reporting a portion of these costs as an operating expense for the past several years based on landfill capacity consumed as of each balance sheet date. The \$1,980,140 accrual reported on the Balance Sheet is the present value of estimated postclosure care costs at June 30, 2003. Actual costs may vary due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and postclosure care costs. Transfers of \$1,853,841 were made to the Solid Waste Reserve Fund during prior years. During the fiscal year ending June 30, 2003, these funds were loaned to General Fund for Economic Development. A former textile plant was purchased and then leased to Tracker Marine, a boat building company. The loan will be repaid over a fifteen year period at an interest rate of LIBOR plus 1.2%. If these funds are needed for landfill closure or postclosure costs, another form of financing will have to be put in place.

#### Note 7 - Interfund Balances and Activity

##### Due to/from other funds:

Due to/from other funds at June 30, 2003, consists of the following:

|                      | Due from<br>Governmental<br>Activities | Due to<br>Business-Type<br>Activities |
|----------------------|--|---------------------------------------|
| General Fund:        |  |                                       |
| Due to other funds   | \$ 1,850,000                           | \$ —                                  |
| Solid Waste Fund     |  |                                       |
| Due from other funds | —                                      | 1,850,000                             |
|                      | <u>\$ 1,850,000</u>                    | <u>\$ 1,850,000</u>                   |

The General fund borrowed \$1,850,000 from the Solid Waste fund during the year ended June 30, 2003. Terms of repayment are \$125,000 annually plus interest at LIBOR. The transaction is recorded on the modified accrual basis in the General fund and full accrual basis in the Solid Waste fund. The resulting difference is reconciled to the full accrual basis in the Government-wide financial statements.

##### Transfers to/from other funds at June 30, 2003 consist of the following:

|  | Transfers           |                     |
|--|---------------------|---------------------|
|  | To                  | From                |
| General Fund:                            |                     |                     |
| Revaluation Fund                         | \$ 179,364          | \$ —                |
| School Capital Reserve Fund              | 3,973,261           | 220,000             |
| Building Capital Reserve Fund            | 987,609             | 195,419             |
| Register of Deeds Automation Fund        | 64,615              | —                   |
| Capital Projects Fund – County Buildings | 1,850,000           | —                   |
| Debt Service                             | 18,304              | —                   |
| Water & Sewer Project Fund               | 170,609             | —                   |
| Solid Waste - Enterprise Fund            | —                   | 1,880,000           |
| Total Transfers - General Fund           | <u>\$ 7,243,762</u> | <u>\$ 2,295,419</u> |
| Special Revenue Funds:                   |                     |                     |
| Building Capital Reserve Fund:           |                     |                     |
| General Fund                             | \$ 195,417          | \$ 987,609          |
| Debt Service                             | 451,015             | —                   |
| Grant Fund                               | 16,667              | —                   |
| Reappraisal Fund:                        |                     |                     |
| Revaluation Fund                         | —                   | 199,746             |
| School Capital Reserve Fund:             |                     |                     |
| General Fund                             | 220,000             | 3,973,259           |
| Debt Service                             | 3,552,386           | —                   |
| Capital Projects - Schools               | 32,582              | 1,170,211           |

|   | <u>To</u>            | <u>From</u>          |
|---|----------------------|----------------------|
| Revaluation Fund:                           |                      |                      |
| General Fund                                | —                    | 179,364              |
| Reappraisal Fund                            | 199,746              | —                    |
| Grant Fund:                                 |                      |                      |
| Building Capital Reserve Fund               | —                    | 16,667               |
| Register of Deeds Automation Fund:          |                      |                      |
| General                                     | —                    | 64,615               |
| Fire District Fund:                         |                      |                      |
| Debt Service                                | 3,488                | —                    |
| Water & Sewer Project Fund                  | —                    | 170,609              |
|   |                      |                      |
| Total Transfers -<br>Special Revenue Funds  | <u>\$ 4,671,301</u>  | <u>\$ 6,762,080</u>  |
|   |                      |                      |
| Debt Service Fund:                          |                      |                      |
| Building Capital Reserve                    | \$ —                 | \$ 451,015           |
| School Capital Reserve                      | —                    | 3,552,386            |
| Fire District                               | —                    | 3,488                |
| General Fund                                | —                    | 18,304               |
|   |                      |                      |
| Total Transfers -<br>Debt Service Fund      | <u>\$ —</u>          | <u>\$ 4,025,193</u>  |
|   |                      |                      |
| Capital Projects Funds:                     |                      |                      |
| School Capital Projects:                    |                      |                      |
| School Capital Reserve Fund                 | \$ 1,137,629         | \$ —                 |
| County Buildings                            |                      |                      |
| General Fund                                | —                    | 1,850,000            |
|   |                      |                      |
| Total Transfers -<br>Capital Projects Funds | <u>\$ 1,137,629</u>  | <u>\$ 1,850,000</u>  |
|   |                      |                      |
| Enterprise Funds:                           |                      |                      |
| Solid Waste Fund:                           |                      |                      |
| General Fund                                | \$ 1,880,000         | \$ —                 |
|   |                      |                      |
| Total Transfers -<br>Enterprise Funds       | <u>\$ 1,880,000</u>  | <u>\$ —</u>          |
|   |                      |                      |
| Total all transfers                         | <u>\$ 14,932,692</u> | <u>\$ 14,932,692</u> |

**Note 8 - Segment Information**

The accompanying combined financial statements of the County include two enterprise funds which provide solid waste collection and disposal operation and the accumulation of funds necessary to pay landfill closure and postclosure care costs. Segment information for the fiscal year ended June 30, 2003 is as follows:

|                               | <u>Solid Waste<br/>Fund</u> | <u>Solid Waste<br/>Reserve Fund</u> | <u>Total Funds</u> |
|-------------------------------|-----------------------------|-------------------------------------|--------------------|
| Operating revenues            | \$ 3,330,561                | \$ —                                | \$ 3,330,561       |
| Depreciation expense          | 291,854                     | —                                   | 291,854            |
| Operating income (loss)       | 212,979                     | (8,836)                             | 204,143            |
| Net income (loss)             | 104,974                     | 22,023                              | 126,997            |
| Fixed assets additions        | 483,372                     | —                                   | 483,372            |
| Net working capital           | 1,616,624                   | 128,841                             | 1,745,465          |
| Total assets                  | 4,708,300                   | 1,853,841                           | 6,562,141          |
| Long-term liabilities payable |                             |                                     |                    |
| from operating sources        | 893,986                     | 1,980,140                           | 2,874,126          |
| Total equity                  | 3,542,036                   | (126,299)                           | 3,415,737          |

#### Note 9 - Joint Ventures

The County, in conjunction with Polk County, participates in the Rutherford/Polk Mental Health District. Each Board of Commissioners of the counties appoints one of its own members to the mental health board. These commissioner-members then appoint the other thirteen members jointly with nine of these members being from Rutherford County and four of these members being from Polk County. Both commissioner-members must agree on the appointments for the appointments to occur. Within available resources, the County has an ongoing financial responsibility for the District because it is legally obligated to provide mental health services either directly, or jointly with other counties. Neither of the participating counties has any equity interest in the District, so no equity interest has been reflected in the financial statements at June 30, 2003. The County contributed \$111,168 to the District to fund operations during fiscal year June 30, 2003. Complete financial statements for the district may be obtained from the District's offices at 207 Koone Rd., Spindale, NC 28160.

The County, in conjunction with Polk and McDowell Counties, participates in the Rutherford/Polk/McDowell Public Health District. Each Board of Commissioners of the counties appoints one of its own members to the public health board. These commissioner-members then appoint the other fifteen members jointly with six of these members being from Rutherford County, five being from McDowell County and four being from Polk County. All commissioner-members must agree on the appointments for the appointments to occur. The County contributes funds annually to fund operations of the District. None of the participating counties have any equity interest in the District, so no equity interest has been reflected in the financial statements at June 30, 2003. The County contributed \$241,578 to the District to fund operations during fiscal year June 30, 2003. Complete financial statements for the District may be obtained from the District's offices at 203 Koone Rd., Spindale, NC 28160.

The County, in conjunction with the State of North Carolina and the Rutherford County Board of Education, participates in a joint venture to operate the Isothermal Community College. The County appoints four members of the fifteen-member Board of Trustees of the Community College. The Community College is included as a component unit of the state. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$1,427,291 to the Community College for operating and capital expenditure purposes during the fiscal year ended June 30, 2003. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2003. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at P.O. Box 804, Spindale, NC 28160.



**Note 10 - Region C Council of Government (Jointly Governed Organization)**

The Council is a voluntary association of four county governments, including Rutherford County for the purpose of coordinating federal and state projects of a planning nature in the four county area comprising Region C in Southwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County paid membership fees of \$11,130 to the Council during the fiscal year ended June 30, 2003.

**Note 11 - Federal and State Assisted Programs**

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**Note 12 - Additional Social Welfare Expenditures**

The benefit payments listed below were issued directly from the State to recipients of the County and/or their service providers on its behalf. These amounts represent additional federal and state financial assistance to the residents of the County but are not reflected in the financial statements because the County has no primary responsibilities beyond making eligibility determinations.

|  |                      |
|--|----------------------|
| Medicaid                               | \$ 54,911,428        |
| Food Stamps Program                    | 5,831,232            |
| Temporary Assistance to Needy Families | 1,410,072            |
| SC/SA Domiciliary Care                 | 1,192,070            |
| Energy assistance                      | 139,361              |
| Title IV-E Adoption/Foster Care        | 474,486              |
| Other                                  | <u>47,940</u>        |
|  | <u>\$ 64,006,589</u> |

# RUTHERFORD COUNTY, NORTH CAROLINA

## LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Funding Progress

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)-<br>Proj Unit Credit<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll for<br>Year Ending<br>On Val Date<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(b-a)/c] |
|--------------------------------|--|---|------------------------------------|--------------------------|---|---|
| 12/31/97                       | \$ -                                   | \$ 196,955  | \$ 196,955                         | \$ 0.00%                 | \$ 1,507,779  | \$ 13.06%   |
| 12/31/98                       | -                                      | 222,079   | 222,079                            | 0.00%                    | 1,713,020   | 12.96%  |
| 12/31/99                       | -                                      | 285,944   | 285,944                            | 0.00%                    | 1,719,678   | 16.63%  |
| 12/31/00                       | -                                      | 466,434   | 466,434                            | 0.00%                    | 1,877,528   | 24.84%  |
| 12/31/01                       | -                                      | 493,420   | 493,420                            | 0.00%                    | 1,986,208   | 24.84%  |
| 12/31/02                       | -                                      | 502,384   | 502,384                            | 0.00%                    | 2,001,798   | 25.10%  |

### Schedule of Employer Contributions

| Year Ended<br>June 30 | Annual Required<br>Contribution | Actual<br>Contribution | Percentage<br>Contributed |
|-----------------------|---------------------------------|------------------------|---------------------------|
| 1997                  | \$ 23,281                       | \$ 12,226              | 52.51%                    |
| 1998                  | 25,386                          | 9,025                  | 35.55%                    |
| 1999                  | 32,718                          | 5,547                  | 16.95%                    |
| 2000                  | 37,521                          | 10,133                 | 27.01%                    |
| 2001                  | 45,550                          | 13,541                 | 29.73%                    |
| 2002                  | 58,912                          | 23,620                 | 40.09%                    |
| 2003                  | 62,120                          | 26,497                 | 42.65%                    |

### Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

|                               |                             |
|-------------------------------|-----------------------------|
| Valuation date                | 12/31/02                    |
| Actuarial cost method         | Project unit credit         |
| Amortization method           | Level percent of pay closed |
| Remaining amortization period | 28 years                    |
| Asset valuation method        | Market value                |
| Actuarial assumptions:        |                             |
| Investment rate of return*    | 7.25%                       |
| Projected salary increases*   | 5.9 - 9.8 % per year        |
| *Includes inflation at        | 3.75%                       |
| Cost of living adjustments    | None                        |

**RUTHERFORD COUNTY, NORTH CAROLINA**

**GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
June 30, 2003 and 2002**

|  | <u>2003</u>                 | <u>2002</u>                 |
|--|-----------------------------|-----------------------------|
| <b>Assets</b>                            |                             |                             |
| Cash and cash equivalents                | \$ 7,810,710                | \$ 5,978,810                |
| Receivables (net):                       |                             |                             |
| Taxes                                    | 1,556,023                   | 1,404,141                   |
| Governmental agencies                    | 3,113,249                   | 2,530,729                   |
| Accounts                                 | 410,801                     | 526,242                     |
| Inventories                              | 22,244                      | 16,642                      |
| Prepaid items                            | 13,919                      | 41,867                      |
|  | <u>                    </u> | <u>                    </u> |
| Total assets                             | \$ 12,926,946               | \$ 10,498,431               |
|  | <u>                    </u> | <u>                    </u> |
| <b>Liabilities and Fund Balances</b>     |                             |                             |
| Liabilities:                             |                             |                             |
| Accounts payable and accrued liabilities | \$ 301,408                  | \$ 214,754                  |
| Unearned revenues                        | 240,919                     | 281,557                     |
| Deferred revenues                        | 1,957,033                   | 1,915,067                   |
|  | <u>                    </u> | <u>                    </u> |
| Total liabilities                        | 2,499,360                   | 2,411,378                   |
|  | <u>                    </u> | <u>                    </u> |
| Fund Balances:                           |                             |                             |
| Reserved:                                |                             |                             |
| By State statute                         | 3,123,040                   | 2,539,851                   |
| For inventories and prepaid items        | 36,163                      | 58,509                      |
| For court facilities                     | 256,634                     | 243,043                     |
| Unreserved:                              |                             |                             |
| Designated for subsequent years' budget  | 205,731                     | 367,065                     |
| Undesignated                             | 6,806,018                   | 4,878,585                   |
|  | <u>                    </u> | <u>                    </u> |
| Total fund balances                      | 10,427,586                  | 8,087,053                   |
|  | <u>                    </u> | <u>                    </u> |
| Total liabilities and fund balances      | \$ 12,926,946               | \$ 10,498,431               |
|  | <u>                    </u> | <u>                    </u> |

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 For the year ended June 30, 2003  
 (With comparative actual amounts for the year ended June 30, 2002)

|  | 2003          |               | Variance                   | 2002          |
|--|---------------|---------------|----------------------------|---------------|
|  | Budget        | Actual        | Favorable<br>(Unfavorable) | Actual        |
| Revenues:                                |               |               |                            |               |
| Ad valorem taxes:                        |               |               |                            |               |
| Current year                             | \$ 22,328,546 | \$ 22,998,418 | \$ 669,872                 | \$ 19,938,688 |
| Prior years                              | 719,000       | 790,134       | 71,134                     | 685,709       |
| Penalties and interest                   | 187,300       | 244,973       | 57,673                     | 198,522       |
| Total                                    | 23,234,846    | 24,033,525    | 798,679                    | 20,822,919    |
| Local option sales taxes                 | 9,421,357     | 9,107,457     | (313,900)                  | 8,348,142     |
| Unrestricted intergovernmental revenues: |               |               |                            |               |
| Intangible tax reimbursement             | —             | —             | —                          | 502,616       |
| Payments in lieu of taxes                | —             | —             | —                          | 60,000        |
| Tax refunds                              | —             | —             | —                          | 44,953        |
| Inventory tax reimbursement              | —             | —             | —                          | 613,699       |
| Total                                    | —             | —             | —                          | 1,221,268     |
| Restricted intergovernmental revenues:   |               |               |                            |               |
| ABC net revenues                         | 10,000        | 8,683         | (1,317)                    | 8,934         |
| Court facilities                         | 145,400       | 148,086       | 2,686                      | 148,883       |
| Federal and state grants                 | 7,441,327     | 6,943,558     | (497,769)                  | 5,798,300     |
| Total                                    | 7,596,727     | 7,100,327     | (496,400)                  | 5,956,117     |
| Permits and fees:                        |               |               |                            |               |
| Building permits                         | 317,850       | 366,933       | 49,083                     | 336,670       |
| Register of deeds                        | 260,000       | 445,655       | 185,655                    | 305,860       |
| Marriage license                         | 7,500         | 12,200        | 4,700                      | 10,030        |
| Revenue stamps                           | 152,000       | 188,296       | 36,296                     | 167,712       |
| Cable franchise fees                     | 25,341        | 73,368        | 48,027                     | 25,238        |
| Rental vehicle tax                       | 8,000         | 6,364         | (1,636)                    | 7,206         |
| Total                                    | 770,691       | 1,092,816     | 322,125                    | 852,716       |
| Sales and services:                      |               |               |                            |               |
| Rents, concessions and fees              | 77,963        | 85,097        | 7,134                      | 96,551        |
| Sheriff's fees                           | 43,995        | 56,115        | 12,120                     | 32,087        |
| Senior Center meals                      | 59,800        | 63,148        | 3,348                      | 61,944        |
| EMS fees                                 | 627,000       | 965,285       | 338,285                    | 601,908       |
| Court costs, fees and charges            | 82,300        | 97,235        | 14,935                     | 88,939        |
| Detention Center fees                    | 478,000       | 748,772       | 270,772                    | 536,704       |
| Narcotics Task Force reimbursement       | —             | 6,687         | 6,687                      | 108,803       |
| Tax collection fees                      | 50,500        | 44,714        | (5,786)                    | 44,834        |
| Animal shelter fees                      | 20,800        | 23,650        | 2,850                      | 20,764        |
| Airport revenues                         | 22,641        | 26,271        | 3,630                      | 16,650        |
| Total                                    | 1,462,999     | 2,116,974     | 653,975                    | 1,609,184     |
| Investment earnings                      | 550,000       | 375,688       | (174,312)                  | 475,175       |
| Miscellaneous                            | 57,209        | 115,730       | 58,521                     | 112,422       |
| Sale of county property                  | 35,000        | 1,158         | (33,842)                   | 33,461        |
| Total revenues                           | 43,128,829    | 43,943,675    | 814,846                    | 39,431,404    |

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 For the year ended June 30, 2003  
 (With comparative actual amounts for the year ended June 30, 2002)

|                                  | 2003             |                         | Variance                   | 2002             |
|----------------------------------|------------------|-------------------------|----------------------------|------------------|
|                                  | Budget           | Actual                  | Favorable<br>(Unfavorable) | Actual           |
| Expenditures:                    |                  |                         |                            |                  |
| General Government:              |                  |                         |                            |                  |
| Governing body                   | 260,705          | <b>246,989</b>          | 13,716                     | 216,647          |
| Manager                          | 102,821          | <b>101,126</b>          | 1,695                      | 96,364           |
| Board of Elections               | 224,492          | <b>176,540</b>          | 47,952                     | 121,598          |
| Finance and purchasing           | 310,060          | <b>297,830</b>          | 12,230                     | 289,286          |
| Information resources management | 413,380          | <b>358,065</b>          | 55,315                     | 363,277          |
| Tax listing                      | 635,532          | <b>599,282</b>          | 36,250                     | 574,949          |
| Tax collections                  | 248,350          | <b>241,722</b>          | 6,628                      | 225,036          |
| Legal                            | 63,772           | <b>63,776</b>           | (4)                        | 44,891           |
| Register of Deeds                | 242,404          | <b>243,161</b>          | (757)                      | 231,082          |
| Personnel                        | 95,234           | <b>95,067</b>           | 167                        | 97,954           |
| Public buildings / recreation    | 1,108,266        | <b>1,015,550</b>        | 92,716                     | 943,505          |
| County garage                    | 127,798          | <b>93,673</b>           | 34,125                     | 80,441           |
| Court facilities                 | 153,217          | <b>134,495</b>          | 18,722                     | 127,484          |
| Special allocations              | 308,269          | <b>280,827</b>          | 27,442                     | 212,545          |
| Total general government         | <u>4,294,300</u> | <u><b>3,948,103</b></u> | 346,197                    | <u>3,625,059</u> |
| Public Safety:                   |                  |                         |                            |                  |
| Sheriff's Department             | 3,105,221        | <b>3,094,780</b>        | 10,441                     | 2,693,840        |
| Detention Center                 | 1,611,563        | <b>1,579,980</b>        | 31,583                     | 1,470,680        |
| Communications                   | 536,420          | <b>535,477</b>          | 943                        | 523,711          |
| Inspections                      | 420,493          | <b>412,936</b>          | 7,557                      | 377,700          |
| Coroner                          | 41,707           | <b>36,575</b>           | 5,132                      | 35,858           |
| Emergency Services               | 1,438,307        | <b>1,379,800</b>        | 58,507                     | 1,325,050        |
| Special allocations              | 258,313          | <b>235,480</b>          | 22,833                     | 263,190          |
| Narcotics task force             | —                | —                       | —                          | 108,804          |
| Animal control                   | 210,826          | <b>192,401</b>          | 18,425                     | 161,808          |
| Total public safety              | <u>7,622,850</u> | <u><b>7,467,429</b></u> | 155,421                    | <u>6,960,641</u> |
| Environmental Protection:        |                  |                         |                            |                  |
| Soil conservation                | 93,088           | <b>92,651</b>           | 437                        | 88,298           |
| Watershed                        | 13,549           | <b>8,162</b>            | 5,387                      | 6,661            |
| Total environmental protection   | <u>106,637</u>   | <u><b>100,813</b></u>   | 5,824                      | <u>94,959</u>    |

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the year ended June 30, 2003  
(With comparative actual amounts for the year ended June 30, 2002)

|   | 2003       |                   | Variance                   | 2002       |
|---|------------|-------------------|----------------------------|------------|
|   | Budget     | Actual            | Favorable<br>(Unfavorable) | Actual     |
| Economic and Physical Development:      |            |                   |                            |            |
| Agricultural extension                  | 155,603    | <b>137,101</b>    | 18,502                     | 147,179    |
| Farmers market                          | 2,011      | <b>1,841</b>      | 170                        | 2,006      |
| Forestry                                | 56,690     | <b>38,525</b>     | 18,165                     | 45,319     |
| Airport Authority                       | 27,860     | <b>25,648</b>     | 2,212                      | 37,499     |
| Economic Development Commission         | 560,804    | <b>472,109</b>    | 88,695                     | 320,916    |
| Total economic and physical development | 802,968    | <b>675,224</b>    | 127,744                    | 552,919    |
| Human Services:                         |            |                   |                            |            |
| District Health:                        |            |                   |                            |            |
| Contribution to District Health         | 241,578    | <b>241,578</b>    | —                          | 244,522    |
| Contribution to Mental Health           | 111,168    | <b>111,168</b>    | —                          | 112,523    |
| Veterans Service Officers               | 53,026     | <b>51,009</b>     | 2,017                      | 47,933     |
| Community based alternatives            | 179,962    | <b>164,748</b>    | 15,214                     | 165,265    |
| Special appropriation                   | —          | —                 | —                          | 2,500      |
| Social Services Administration          | 4,203,650  | <b>3,983,679</b>  | 219,971                    | 3,796,312  |
| Social Services programs                | 9,393,146  | <b>8,072,313</b>  | 1,320,833                  | 7,379,483  |
| Senior Citizens Center                  | 198,702    | <b>185,221</b>    | 13,481                     | 169,429    |
| Meals program                           | 320,777    | <b>309,377</b>    | 11,400                     | 302,551    |
| Total human services                    | 14,702,009 | <b>13,119,093</b> | 1,582,916                  | 12,220,518 |
| Cultural:                               |            |                   |                            |            |
| Libraries                               | 363,223    | <b>361,562</b>    | 1,661                      | 343,050    |
| Total cultural                          | 363,223    | <b>361,562</b>    | 1,661                      | 343,050    |
| Education:                              |            |                   |                            |            |
| Public schools:                         |            |                   |                            |            |
| Current expenditures                    | 9,182,751  | <b>9,182,751</b>  | —                          | 9,288,878  |
| Capital outlay                          | 220,000    | <b>220,000</b>    | —                          | 314,238    |
| Community college                       | 1,427,291  | <b>1,427,291</b>  | —                          | 1,406,207  |
| Total education                         | 10,830,042 | <b>10,830,042</b> | —                          | 11,009,323 |

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 For the year ended June 30, 2003  
 (With comparative actual amounts for the year ended June 30, 2002)

|                                      | 2003        |               |  | 2002         |
|--------------------------------------|-------------|---------------|--|--------------|
|                                      | Budget      | Actual        | Variance<br>Favorable<br>(Unfavorable) | Actual       |
| Debt Service:                        |             |               |  |              |
| Principal retirement                 |             | 685,815       |  | 700,023      |
| Interest and fees                    |             | 48,623        |  | 63,734       |
| Total debt service                   | 736,496     | 734,438       | 2,058                                  | 763,757      |
| Total expenditures                   | 39,458,525  | 37,236,704    | 2,221,821                              | 35,570,226   |
| Revenues over expenditures           | 3,670,304   | 6,706,971     | 3,036,667                              | 3,861,178    |
| Other Financing Sources (Uses):      |             |               |  |              |
| Transfers:                           |             |               |  |              |
| From other funds                     | 2,313,562   | 2,295,419     | (18,143)                               | 493,271      |
| To other funds                       | (7,285,398) | (7,243,762)   | 41,636                                 | (4,954,804)  |
| Transfers-component unit:            |             |               |  |              |
| From proprietary component unit      | 5,000       | 5,000         | —                                      | 5,000        |
| Proceeds of lease purchase           | 634,590     | 576,905       | (57,685)                               | 253,000      |
| Appropriated fund balance            | 661,942     | —             | (661,942)                              | —            |
| Total other financing sources (uses) | (3,670,304) | (4,366,438)   | (696,134)                              | (4,203,533)  |
| Net change in fund balance           | \$ —        | 2,340,533     | \$ 2,340,533                           | (342,355)    |
| Fund balances:                       |             |               |  |              |
| Beginning of year                    |             | 8,087,053     |  | 8,429,408    |
| End of year                          |             | \$ 10,427,586 |  | \$ 8,087,053 |

**RUTHERFORD COUNTY, NORTH CAROLINA**

**DEBT SERVICE FUND  
COMPARATIVE BALANCE SHEETS  
June 30, 2003 and 2002**

|  | <u>2003</u> | <u>2002</u>       |
|--|-------------|-------------------|
| <b>Assets</b>                            |             |                   |
| Cash and cash equivalents                | \$ —        | \$ 737,739        |
| Total assets                             | <u>\$ —</u> | <u>\$ 737,739</u> |
| <br><b>Liabilities and Fund Balances</b> |             |                   |
| Liabilities:                             | <u>\$ —</u> | <u>\$ —</u>       |
| Fund Balances:                           |             |                   |
| Unreserved:                              |             |                   |
| Designated for debt service              | <u>—</u>    | <u>737,739</u>    |
| Total fund balances                      | <u>—</u>    | <u>737,739</u>    |
| Total liabilities and fund balances      | <u>\$ —</u> | <u>\$ 737,739</u> |



**RUTHERFORD COUNTY, NORTH CAROLINA**

**DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2003

(With comparative actual amounts for the year ended June 30, 2002)

|                                       | <u>2003</u>        |                           |  | <u>2002</u>              |
|---------------------------------------|--------------------|---------------------------|--|--------------------------|
|                                       | <u>Budget</u>      | <u>Actual</u>             | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>            |
| Revenues:                             |                    |                           |  |                          |
| Lease                                 | \$ 53,293          | \$ <b>53,293</b>          | \$ —                                   | \$ 53,293                |
| Investment earnings                   | —                  | <b>55,889</b>             | 55,889                                 | —                        |
| Total revenues                        | <u>53,293</u>      | <u><b>109,182</b></u>     | 55,889                                 | <u>53,293</u>            |
| Expenditures:                         |                    |                           |  |                          |
| Bond principal payments               | 2,605,793          | <b>2,382,398</b>          | 223,395                                | 2,220,000                |
| Bond interest payments                | 2,825,413          | <b>2,427,129</b>          | 398,284                                | 1,079,455                |
| Bond issuance costs                   | 275,262            | <b>272,718</b>            | 2,544                                  | 622,216                  |
| Total expenditures                    | <u>5,706,468</u>   | <u><b>5,082,245</b></u>   | 624,223                                | <u>4,214,396</u>         |
| Revenues over (under)<br>expenditures | <u>(5,653,175)</u> | <u><b>(4,973,063)</b></u> | 680,112                                | <u>(4,161,103)</u>       |
| Other Financing Sources (Uses):       |                    |                           |  |                          |
| Transfers in                          |                    |                           |  |                          |
| Building Capital Reserve fund         | 1,034,078          | <b>451,015</b>            | (583,063)                              | 848,643                  |
| School Capital Reserve fund           | 3,672,193          | <b>3,552,386</b>          | (119,807)                              | 3,299,455                |
| General fund                          | —                  | <b>18,304</b>             | 18,304                                 | —                        |
| Fire district fund                    | 3,475              | <b>3,488</b>              | 13                                     | 3,185                    |
| Proceeds from refunding COPS & Bonds  | 26,058,158         | <b>26,058,158</b>         | —                                      | —                        |
| Bond escrow payments                  | (25,848,027)       | <b>(25,848,027)</b>       | —                                      | —                        |
| Fund Balance appropriated             | 733,298            | —                         | (733,298)                              | —                        |
| Total other financing sources         | <u>5,653,175</u>   | <u><b>4,235,324</b></u>   | (1,417,851)                            | <u>4,151,283</u>         |
| Net change in fund balance            | <u>\$ —</u>        | <u><b>(737,739)</b></u>   | <u>\$ (737,739)</u>                    | (9,820)                  |
| Fund balance, beginning of year       |                    | <u><b>737,739</b></u>     |  | <u>747,559</u>           |
| Fund balance, end of year             |                    | <u><u>\$ —</u></u>        |  | <u><u>\$ 737,739</u></u> |

**RUTHERFORD COUNTY, NORTH CAROLINA**

**CAPITAL PROJECTS FUND – SCHOOLS**

**BALANCE SHEET**

June 30, 2003

(With comparative totals for June 30, 2002)

|   | <u>2003</u>          | <u>2002</u> |
|---|----------------------|-------------|
| <b>Assets</b>                               |                      |             |
| Cash and cash equivalents                   | \$ 1,362,363         | \$ –        |
| Cash and cash equivalents – restricted      | 19,998,870           | –           |
| Accounts receivable                         | <u>119,275</u>       | <u>–</u>    |
| Total assets                                | <u>\$ 21,480,508</u> | <u>\$ –</u> |
| <b>Liabilities and Fund Balances</b>        |                      |             |
| Liabilities:                                |                      |             |
| Accounts payable and<br>accrued liabilities | <u>\$ 524</u>        | <u>\$ –</u> |
| Fund Balances:                              |                      |             |
| Reserved by state statute                   | 119,275              | –           |
| Unreserved:                                 |                      |             |
| Designated for future<br>capital outlay     | <u>21,360,709</u>    | <u>–</u>    |
| Total fund balance                          | <u>21,479,984</u>    | <u>–</u>    |
| Total liabilities and fund balances         | <u>\$ 21,480,508</u> | <u>\$ –</u> |

# RUTHERFORD COUNTY, NORTH CAROLINA

## CAPITAL PROJECTS FUND - SCHOOLS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL From inception and for the year ended June 30, 2003

|   | Actual                   |                    |                     |                      |
|---|--------------------------|--------------------|---------------------|----------------------|
|   | Project<br>Authorization | Prior<br>Years     | Current<br>Year     | Total<br>To Date     |
| Revenues:                               |                          |                    |                     |                      |
| Restricted intergovernmental:           |                          |                    |                     |                      |
| Public School Building                  |                          |                    |                     |                      |
| Bond Act of 1996                        | \$15,468,465             | \$15,079,387       | \$ 322,416          | \$ 15,401,803        |
| Other taxes and licenses                | –                        | –                  | 119,091             | 119,091              |
| Investment earnings                     | 2,298                    | –                  | 179,844             | 179,844              |
| Total revenues                          | <u>15,470,763</u>        | <u>15,079,387</u>  | <u>621,351</u>      | <u>15,700,738</u>    |
| Expenditures:                           |                          |                    |                     |                      |
| Capital outlay:                         |                          |                    |                     |                      |
| State Bond Project – Elementary Schools | 20,375,718               | 19,300,619         | 322,416             | 19,623,035           |
| Ellenboro Elementary                    | 10,682,300               | 743,301            | 2,343,036           | 3,086,337            |
| Chase Middle School Addition            | 1,684,650                | 66,150             | 1,115,244           | 1,181,394            |
| Spindale Elementary                     | 8,307,750                | 328,178            | 3,574,463           | 3,902,641            |
| Forest City Elementary                  | 463,991                  | –                  | 255,223             | 255,223              |
| Sunshine Elementary                     | 7,793,615                | –                  | 256,362             | 256,362              |
| RS middle                               | 339,568                  | –                  | 112,450             | 112,450              |
| Debt issuance costs                     | 480,182                  | –                  | 480,182             | 480,182              |
| Total expenditures                      | <u>50,127,774</u>        | <u>20,438,248</u>  | <u>8,459,376</u>    | <u>28,897,624</u>    |
| Revenues under expenditures             | <u>(34,657,011)</u>      | <u>(5,358,861)</u> | <u>(7,838,025)</u>  | <u>(13,196,886)</u>  |
| Other Financing Sources (Uses):         |                          |                    |                     |                      |
| Transfers:                              |                          |                    |                     |                      |
| Special revenue funds                   | 4,221,232                | 5,358,861          | (1,137,629)         | 4,221,232            |
| Proceeds from borrowing                 | 30,435,779               | –                  | 30,455,638          | 30,455,638           |
| Total Other Financial Sources (Uses)    | <u>34,657,011</u>        | <u>5,358,861</u>   | <u>29,318,009</u>   | <u>34,676,870</u>    |
| Net change in fund balance              | <u>\$ –</u>              | <u>\$ –</u>        | 21,479,984          | <u>\$ 21,479,984</u> |
| Fund balance, beginning of year         |                          |                    | <u>–</u>            |                      |
| Fund balance, end of year               |                          |                    | <u>\$21,479,984</u> |                      |

# RUTHERFORD COUNTY, NORTH CAROLINA

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS June 30, 2003

|  | Total<br>Nonmajor<br>Special<br>Revenue | County<br>Buildings<br>Capital<br>Projects<br>Fund | June 30<br>2003     |
|--|---|--|---------------------|
| <b>Assets</b>  |   |  |                     |
| Cash and cash equivalents                              | \$ 5,776,341                            | \$ 1,028,289                                       | \$ <b>6,804,630</b> |
| Cash and cash equivalents – restricted                 | –                                       | 679,335  | <b>679,335</b>      |
| Taxes receivable, net                                  | 119,809                                 | –  | <b>119,809</b>      |
| Accounts receivable, net                               | –                                       | 13,355   | <b>13,355</b>       |
| Intergovernmental receivable                           | 38,812                                  | –  | <b>38,812</b>       |
| Other receivables                                      | 45,654                                  | –  | <b>45,654</b>       |
|  | <hr/>                                   | <hr/>  | <hr/>               |
| Total assets   | \$ 5,980,616                            | \$ 1,720,979                                       | \$ <b>7,701,595</b> |
|  | <hr/>                                   | <hr/>  | <hr/>               |
| <b>Liabilities and Fund Balances</b>                   |   |  |                     |
| <b>Liabilities:</b>                                    |   |  |                     |
| Accounts payable and accrued liabilities               | \$ 51,216                               | \$ –   | \$ <b>51,216</b>    |
| Unearned revenues                                      | 14,900                                  | –  | <b>14,900</b>       |
| Deferred revenue                                       | 119,809                                 | –  | <b>119,809</b>      |
|  | <hr/>                                   | <hr/>  | <hr/>               |
| Total liabilities                                      | 185,925                                 | –  | <b>185,925</b>      |
|  | <hr/>                                   | <hr/>  | <hr/>               |
| <b>Fund Balances:</b>                                  |   |  |                     |
| Reserved by State Statute                              | 84,466                                  | 13,355   | <b>97,821</b>       |
| <b>Unreserved:</b>                                     |   |  |                     |
| Designated for subsequent year's budget                | 1,513,186                               | –  | <b>1,513,186</b>    |
| Designated for subsequent year's future capital outlay | 315,978                                 | 1,707,624  | <b>2,023,602</b>    |
| Undesignated   | 3,881,061                               | –  | <b>3,881,061</b>    |
|  | <hr/>                                   | <hr/>  | <hr/>               |
| Total fund balances                                    | 5,794,691                               | 1,720,979  | <b>7,515,670</b>    |
|  | <hr/>                                   | <hr/>  | <hr/>               |
| Total liabilities and fund balances                    | \$ 5,980,616                            | \$ 1,720,979                                       | \$ <b>7,701,595</b> |
|  | <hr/>                                   | <hr/>  | <hr/>               |

# RUTHERFORD COUNTY, NORTH CAROLINA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the year ended June 30, 2003

|                                      | Total<br>Nonmajor<br>Special<br>Revenue | County<br>Buildings<br>Capital<br>Projects<br>Fund | June 30<br>2003 |
|--------------------------------------|---|--|-----------------|
| Revenues:                            |   |  |                 |
| Ad valorem taxes                     | \$ 1,238,599                            | \$ —   | \$ 1,238,599    |
| Other taxes and licenses             | 260,715                                 | 693  | 261,408         |
| Local option sales taxes             | 425,196                                 | —  | 425,196         |
| Restricted intergovernmental         | 1,489,373                               | —  | 1,489,373       |
| Charges for services                 | 517,260                                 | —  | 517,260         |
| Investment earnings                  | 42,297                                  | 10,719   | 53,016          |
|                                      | <hr/>                                   |  |                 |
| Total revenues                       | 3,973,440                               | 11,412   | 3,984,852       |
| Expenditures:                        |   |  |                 |
| General government                   | 612,217                                 | —  | 612,217         |
| Public safety                        | 2,384,746                               | —  | 2,384,746       |
| Economic and physical development    | 379,816                                 | —  | 379,816         |
| Capital outlay                       | —                                       | 2,524,535  | 2,524,535       |
| Debt service                         | 30,759                                  | 35,918   | 66,677          |
|                                      | <hr/>                                   |  |                 |
| Total expenditures                   | 3,407,538                               | 2,560,453  | 5,967,991       |
|                                      | <hr/>                                   |  |                 |
| Revenues over (under) expenditures   | 565,902                                 | (2,549,041)  | (1,983,139)     |
| Other Financing Sources (Uses):      |   |  |                 |
| Transfers:                           |   |  |                 |
| To other funds                       | (4,671,301)                             | —  | (4,671,301)     |
| From other funds                     | 6,762,080                               | 1,850,000  | 8,612,080       |
| Proceeds from capital leases         | 235,565                                 | —  | 235,565         |
| Proceeds from debt                   | 100,000                                 | 1,237,106  | 1,337,106       |
|                                      | <hr/>                                   |  |                 |
| Total other financing sources (uses) | 2,426,344                               | 3,087,106  | 5,513,450       |
|                                      | <hr/>                                   |  |                 |
| Net change in fund balance           | 2,992,246                               | 538,065  | 3,530,311       |
|                                      | <hr/>                                   |  |                 |
| Fund balance, beginning of year      | 2,802,445                               | 1,182,914  | 3,985,359       |
|                                      | <hr/>                                   |  |                 |
| Fund balance, end of year            | \$ 5,794,691                            | \$ 1,720,979                                       | \$ 7,515,670    |

# RUTHERFORD COUNTY, NORTH CAROLINA

## SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET

June 30, 2003

(With comparative totals for June 30, 2002)

|   | <u>Building<br/>Capital<br/>Reserve Fund</u> | <u>Reappraisal<br/>Fund</u> | <u>School<br/>Capital<br/>Reserve Fund</u> | <u>Revaluation<br/>Fund</u> | <u>Enhanced<br/>911 Fund</u> |
|---|--|-----------------------------|--|-----------------------------|------------------------------|
| <b>Assets:</b>                              |  |                             |  |                             |                              |
| Cash and cash equivalents                   | \$ 663,241                                   | \$ 121,381                  | \$ 3,210,194                               | \$ —                        | \$ 674,491                   |
| Taxes receivable, net                       | —  | —                           | —  | —                           | —                            |
| Intergovernmental receivable                | —  | 1,020                       | —  | —                           | 15,408                       |
| Other receivables                           | —  | —                           | —  | —                           | 42,204                       |
|   | <hr/>  | <hr/>                       | <hr/>                                      | <hr/>                       | <hr/>                        |
| Total assets                                | \$ 663,241                                   | \$ 122,401                  | \$ 3,210,194                               | \$ —                        | \$ 732,103                   |
|   | <hr/>  | <hr/>                       | <hr/>                                      | <hr/>                       | <hr/>                        |
| <b>Liabilities and Fund Balances:</b>       |  |                             |  |                             |                              |
| <b>Liabilities:</b>                         |  |                             |  |                             |                              |
| Accounts payable and<br>accrued liabilities | \$ —   | \$ 8,678                    | \$ —                                       | \$ —                        | \$ 461                       |
| Unearned revenues                           | —  | —                           | —  | —                           | —                            |
| Deferred revenue                            | —  | —                           | —  | —                           | —                            |
|   | <hr/>  | <hr/>                       | <hr/>                                      | <hr/>                       | <hr/>                        |
| Total liabilities                           | —  | 8,678                       | —  | —                           | 461                          |
|   | <hr/>  | <hr/>                       | <hr/>                                      | <hr/>                       | <hr/>                        |
| <b>Fund Balances:</b>                       |  |                             |  |                             |                              |
| Reserved by State Statute                   | —  | 1,020                       | —  | —                           | 57,612                       |
| Unreserved:                                 |  |                             |  |                             |                              |
| Designated for subsequent<br>year's budget  | 347,263                                      | —                           | 663,423                                    | —                           | —                            |
| Designated for future<br>capital outlay     | 315,978                                      | —                           | —  | —                           | —                            |
| Undesignated                                | —  | 112,703                     | 2,546,771                                  | —                           | 674,030                      |
|   | <hr/>  | <hr/>                       | <hr/>                                      | <hr/>                       | <hr/>                        |
| Total fund balance                          | 663,241                                      | 113,723                     | 3,210,194                                  | —                           | 731,642                      |
|   | <hr/>  | <hr/>                       | <hr/>                                      | <hr/>                       | <hr/>                        |
| Total liabilities and fund balances         | \$ 663,241                                   | \$ 122,401                  | \$ 3,210,194                               | \$ —                        | \$ 732,103                   |
|   | <hr/>  | <hr/>                       | <hr/>                                      | <hr/>                       | <hr/>                        |

| Tourism<br>Development<br>Fund | Grant Fund        | Grant<br>CDBG<br>Project Fund | Fire Districts<br>Fund | Register of Deeds<br>Automation<br>Enhancement Fd | Water<br>and Sewer<br>Project Fund | Totals              |                     |
|--------------------------------|-------------------|-------------------------------|------------------------|---|------------------------------------|---------------------|---------------------|
|                                |                   |                               |                        |   |                                    | 2003                | 2002                |
| \$ 36,954                      | \$ 173,858        | \$ 4,438                      | \$ 633,697             | \$ 92,075   | \$ 166,012                         | <b>\$ 5,776,341</b> | \$ 2,766,985        |
| —                              | —                 | —                             | 119,809                | —   | —                                  | <b>119,809</b>      | 109,508             |
| 1,606                          | 20,282            | —                             | 496                    | —   | —                                  | <b>38,812</b>       | 46,627              |
| 3,450                          | —                 | —                             | —                      | —   | —                                  | <b>45,654</b>       | 44,597              |
| <b>\$ 42,010</b>               | <b>\$ 194,140</b> | <b>\$ 4,438</b>               | <b>\$ 754,002</b>      | <b>\$ 92,075</b>                                  | <b>\$ 166,012</b>                  | <b>\$ 5,980,616</b> | <b>\$ 2,967,717</b> |
|                                |                   |                               |                        |   |                                    |                     |                     |
| \$ 19,153                      | \$ 1,778          | \$ —                          | \$ 21,146              | \$ —  | \$ —                               | <b>\$ 51,216</b>    | \$ 45,112           |
| —                              | —                 | —                             | 14,900                 | —   | —                                  | <b>14,900</b>       | 10,652              |
| —                              | —                 | —                             | 119,809                | —   | —                                  | <b>119,809</b>      | 109,508             |
| <b>19,153</b>                  | <b>1,778</b>      | <b>—</b>                      | <b>155,855</b>         | <b>—</b>  | <b>—</b>                           | <b>185,925</b>      | 165,272             |
|                                |                   |                               |                        |   |                                    |                     |                     |
| 5,056                          | 20,282            | —                             | 496                    | —   | —                                  | <b>84,466</b>       | 91,224              |
| —                              | —                 | —                             | 502,500                | —   | —                                  | <b>1,513,186</b>    | 799,934             |
| —                              | —                 | —                             | —                      | —   | —                                  | <b>315,978</b>      | 121,481             |
| 17,801                         | 172,080           | 4,438                         | 95,151                 | 92,075  | 166,012                            | <b>3,881,061</b>    | 1,789,806           |
| <b>22,857</b>                  | <b>192,362</b>    | <b>4,438</b>                  | <b>598,147</b>         | <b>92,075</b>                                     | <b>166,012</b>                     | <b>5,794,691</b>    | 2,802,445           |
| <b>\$ 42,010</b>               | <b>\$ 194,140</b> | <b>\$ 4,438</b>               | <b>\$ 754,002</b>      | <b>\$ 92,075</b>                                  | <b>\$ 166,012</b>                  | <b>\$ 5,980,616</b> | <b>\$ 2,967,717</b> |

# RUTHERFORD COUNTY, NORTH CAROLINA

## SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended June 30, 2003  
(With comparative totals for June 30, 2002)

|                                       | Building<br>Capital<br><u>Reserve Fund</u> | Reappraisal<br><u>Fund</u> | School<br>Capital<br><u>Reserve Fund</u> | Revaluation<br><u>Fund</u> | Enhanced<br>911 <u>Fund</u> |
|---------------------------------------|--|----------------------------|--|----------------------------|-----------------------------|
| Revenues:                             |  |                            |  |                            |                             |
| Ad valorem taxes                      | \$ —                                       | \$ —                       | \$ —                                     | \$ —                       | \$ —                        |
| Other taxes and licenses              | —  | —                          | —  | —                          | —                           |
| Restricted intergovernmental          | 46,367                                     | —                          | 889,396                                  | —                          | —                           |
| Charges for services                  | —  | —                          | —  | —                          | 517,260                     |
| Investment earnings                   | 2,128                                      | —                          | 39,348                                   | —                          | —                           |
| Total revenues                        | <u>48,495</u>                              | <u>—</u>                   | <u>928,744</u>                           | <u>—</u>                   | <u>517,260</u>              |
| Expenditures:                         |  |                            |  |                            |                             |
| General government                    | —  | 351,595                    | —  | —                          | —                           |
| Public safety                         | —  | —                          | —  | —                          | 550,488                     |
| Environmental protection              | —  | —                          | —  | —                          | —                           |
| Economic and physical development     | —  | —                          | —  | —                          | —                           |
| Debt service                          | —  | —                          | —  | —                          | 30,759                      |
| Total expenditures                    | <u>—</u>                                   | <u>351,595</u>             | <u>—</u>                                 | <u>—</u>                   | <u>581,247</u>              |
| Revenues over<br>(under) expenditures | <u>48,495</u>                              | <u>(351,595)</u>           | <u>928,744</u>                           | <u>—</u>                   | <u>(63,987)</u>             |
| Other Financing Sources (Uses):       |  |                            |  |                            |                             |
| Transfers:                            |  |                            |  |                            |                             |
| To other funds                        | (663,099)                                  | —                          | (3,804,968)                              | (199,746)                  | —                           |
| From other funds                      | 987,609                                    | 199,746                    | 5,143,470                                | 179,364                    | —                           |
| Proceeds from capital leases          | —  | —                          | —  | —                          | 235,565                     |
| Total transfers                       | <u>324,510</u>                             | <u>199,746</u>             | <u>1,338,502</u>                         | <u>(20,382)</u>            | <u>235,565</u>              |
| Net change in fund balance            | 373,005                                    | (151,849)                  | 2,267,246                                | (20,382)                   | 171,578                     |
| Fund balance, beginning of year       | <u>290,236</u>                             | <u>265,572</u>             | <u>942,948</u>                           | <u>20,382</u>              | <u>560,064</u>              |
| Fund balance, end of year             | <u>\$ 663,241</u>                          | <u>\$ 113,723</u>          | <u>\$ 3,210,194</u>                      | <u>\$ —</u>                | <u>\$ 731,642</u>           |



| Tourism<br>Development<br>Fund | Grant Fund        | Grant<br>CDBG<br>Project Fund | Fire Districts<br>Fund | Register of Deeds<br>Automation<br>Enhancement Fd | Water<br>and Sewer<br>Project Fund | Totals                     |                     |
|--------------------------------|-------------------|-------------------------------|------------------------|---|------------------------------------|----------------------------|---------------------|
|                                |                   |                               |                        |   |                                    | 2003                       | 2002                |
| \$ —                           | \$ —              | \$ —                          | \$ 1,238,599           | \$ —  | \$ —                               | <b>\$ 1,238,599</b>        | \$ 1,016,840        |
| 260,712                        | —                 | —                             | 425,199                | —   | —                                  | <b>685,911</b>             | 687,914             |
| —                              | 475,462           | 78,148                        | —                      | —   | —                                  | <b>1,489,373</b>           | 760,455             |
| —                              | —                 | —                             | —                      | —   | —                                  | <b>517,260</b>             | 510,660             |
| 821                            | —                 | —                             | —                      | —   | —                                  | <b>42,297</b>              | 84,137              |
| 261,533                        | 475,462           | 78,148                        | 1,663,798              | —   | —                                  | <b>3,973,440</b>           | 3,060,006           |
| 260,622                        | —                 | —                             | —                      | —   | —                                  | <b>612,217</b>             | 730,997             |
| —                              | 268,734           | —                             | 1,564,241              | 1,283   | —                                  | <b>2,384,746</b>           | 2,060,251           |
| —                              | —                 | —                             | —                      | —   | —                                  | —                          | 12,351              |
| —                              | 281,509           | 93,710                        | —                      | —   | 4,597                              | <b>379,816</b>             | 369,599             |
| —                              | —                 | —                             | —                      | —   | —                                  | <b>30,759</b>              | —                   |
| 260,622                        | 550,243           | 93,710                        | 1,564,241              | 1,283   | 4,597                              | <b>3,407,538</b>           | 3,173,198           |
| 911                            | (74,781)          | (15,562)                      | 99,557                 | (1,283)   | (4,597)                            | <b>565,902</b>             | (113,192)           |
| —                              | —                 | —                             | (3,488)                | —   | —                                  | <b>(4,671,301)</b>         | (5,979,404)         |
| —                              | 16,667            | —                             | —                      | 64,615  | 170,609                            | <b>6,762,080</b>           | 5,182,025           |
| —                              | 100,000           | —                             | —                      | —   | —                                  | <b>335,565</b>             | —                   |
| —                              | 116,667           | —                             | (3,488)                | 64,615  | 170,609                            | <b>2,426,344</b>           | (797,379)           |
| 911                            | 41,886            | (15,562)                      | 96,069                 | 63,332  | 166,012                            | <b>2,992,246</b>           | (910,571)           |
| 21,946                         | 150,476           | 20,000                        | 502,078                | 28,743  | —                                  | <b>2,802,445</b>           | 3,713,016           |
| <u>\$ 22,857</u>               | <u>\$ 192,362</u> | <u>\$ 4,438</u>               | <u>\$ 598,147</u>      | <u>\$ 92,075</u>                                  | <u>\$ 166,012</u>                  | <u><b>\$ 5,794,691</b></u> | <u>\$ 2,802,445</u> |

# RUTHERFORD COUNTY, NORTH CAROLINA

## BUILDING CAPITAL RESERVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2003

(With comparative actual amounts for the year ended June 30, 2002)

|                                      | <u>2003</u>     |                          |  | <u>2002</u>       |
|--------------------------------------|-----------------|--------------------------|--|-------------------|
|                                      | <u>Budget</u>   | <u>Actual</u>            | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>     |
| Revenues:                            |                 |                          |  |                   |
| Restricted intergovernmental         | \$ 46,367       | \$ <b>46,367</b>         | \$ —                                   | \$ 37,889         |
| Investment earnings                  | 20,000          | <b>2,128</b>             | (17,872)                               | 13,487            |
| Total revenues                       | <u>66,367</u>   | <u><b>48,495</b></u>     | <u>(17,872)</u>                        | <u>51,376</u>     |
| Expenditures                         | <u>—</u>        | <u>—</u>                 | <u>—</u>                               | <u>—</u>          |
| Revenues over expenditures           | <u>66,367</u>   | <u><b>48,495</b></u>     | <u>(17,872)</u>                        | <u>51,376</u>     |
| Other Financing Sources (Uses):      |                 |                          |  |                   |
| Transfers in (out):                  |                 |                          |  |                   |
| General fund (sales tax)             | 1,004,775       | <b>987,609</b>           | (17,166)                               | 959,666           |
| Debt service fund                    | —               | —                        | —                                      | 9,820             |
| General fund (college)               | (98,000)        | <b>(98,000)</b>          | —                                      | (50,000)          |
| General fund (building projects)     | (115,562)       | <b>(97,417)</b>          | 18,145                                 | (85,031)          |
| General fund (Airport)               | —               | —                        | —                                      | (14,001)          |
| Grant fund (Airport)                 | —               | —                        | —                                      | (19,667)          |
| Debt service fund                    | (16,667)        | <b>(16,667)</b>          | —                                      | (858,463)         |
| Capital Projects fund (COPS)         | (1,034,088)     | <b>(451,015)</b>         | 583,073                                | —                 |
| Appropriated fund balance            | <u>193,175</u>  | <u>—</u>                 | <u>(193,175)</u>                       | <u>—</u>          |
| Total other financing sources (uses) | <u>(66,367)</u> | <u><b>324,510</b></u>    | <u>390,877</u>                         | <u>(57,676)</u>   |
| Net change in fund balance           | <u>\$ —</u>     | <u><b>373,005</b></u>    | <u>\$ 373,005</u>                      | <u>(6,300)</u>    |
| Fund balance, beginning of year      |                 | <u><b>290,236</b></u>    |  | <u>296,536</u>    |
| Fund balance, end of year            |                 | <u><b>\$ 663,241</b></u> |  | <u>\$ 290,236</u> |

# RUTHERFORD COUNTY, NORTH CAROLINA

## REAPPRAISAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the year ended June 30, 2003 (With comparative actual amounts for the year ended June 30, 2002)

|                                    | <u>2003</u>   |                          |  | <u>2002</u>       |
|------------------------------------|---------------|--------------------------|--|-------------------|
|                                    | <u>Budget</u> | <u>Actual</u>            | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>     |
| Revenues:                          | \$ —          | —                        | —                                      | \$ —              |
| Expenditures:                      |               |                          |  |                   |
| General government:                |               |                          |  |                   |
| Reappraisal                        | 366,366       | <b>338,324</b>           | 28,042                                 | 440,443           |
| Mapping                            | 55,559        | <b>13,271</b>            | 42,288                                 | 20,991            |
| Revenues under expenditures        | (421,925)     | <b>(351,595)</b>         | 70,330                                 | (461,434)         |
| Other Financing Sources:           |               |                          |  |                   |
| Transfers in:                      |               |                          |  |                   |
| Special revenue fund - Revaluation | 199,746       | <b>199,746</b>           | —                                      | 197,734           |
| Fund balance appropriated          | 222,179       | —                        | (222,179)                              | —                 |
| Total other financing sources      | 421,925       | <b>199,746</b>           | (222,179)                              | 197,734           |
| Net change in fund balance         | <u>\$ —</u>   | <b>(151,849)</b>         | <u>\$ (151,849)</u>                    | (263,700)         |
| Fund balance, beginning of year    |               | <u><b>265,572</b></u>    |  | <u>529,272</u>    |
| Fund balance, end of year          |               | <u><b>\$ 113,723</b></u> |  | <u>\$ 265,572</u> |

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SCHOOL CAPITAL RESERVE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2003

(With comparative actual amounts for the year ended June 30, 2002)

|  | <u>2003</u>   |                            |  | <u>2002</u>       |
|--|---------------|----------------------------|--|-------------------|
|  | <u>Budget</u> | <u>Actual</u>              | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>     |
| Revenues:                                |               |                            |  |                   |
| Restricted intergovernmental – State ADM | \$ –          | \$ <b>889,396</b>          | \$ 889,396                             | \$ –              |
| Investment earnings                      | 70,000        | <b>39,348</b>              | (30,652)                               | 67,611            |
| Total revenues                           | 70,000        | <b>928,744</b>             | 858,744                                | 67,611            |
| Expenditures:                            |               |                            |  |                   |
| Reserve for future projects              | 1,467,891     | –                          | 1,467,891                              | –                 |
| Revenues over (under) expenditures       | (1,397,891)   | <b>928,744</b>             | 2,326,635                              | 67,611            |
| Other Financing Sources (Uses):          |               |                            |  |                   |
| Transfers in (out):                      |               |                            |  |                   |
| General fund (sales tax)                 | 4,039,873     | <b>3,973,259</b>           | (66,614)                               | 3,858,661         |
| Capital projects fund                    | 1,170,211     | <b>1,170,211</b>           | –                                      | –                 |
| Debt service fund                        | (3,165,605)   | <b>(3,165,605)</b>         | –                                      | (3,299,455)       |
| Debt service fund (COPS)                 | (506,588)     | <b>(386,781)</b>           | 119,807                                | –                 |
| General fund                             | (220,000)     | <b>(220,000)</b>           | –                                      | (314,238)         |
| Capital Projects fund                    | –             | <b>(32,582)</b>            | (32,582)                               | (1,137,629)       |
| Fund balance appropriated                | 80,000        | –                          | (80,000)                               | –                 |
| Total other financing sources (uses)     | 1,397,891     | <b>1,338,502</b>           | (59,389)                               | (892,661)         |
| Net change in fund balance               | \$ –          | <b>2,267,246</b>           | \$ 2,267,246                           | (825,050)         |
| Fund balance, beginning of year          |               | <b>942,948</b>             |  | 1,767,998         |
| Fund balance, end of year                |               | <b><u>\$ 3,210,194</u></b> |  | <u>\$ 942,948</u> |

# RUTHERFORD COUNTY, NORTH CAROLINA

## REVALUATION FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the year ended June 30, 2003 (With comparative actual amounts for the year ended June 30, 2002)

|                                      | <u>2003</u>   |                      |  | <u>2002</u>      |
|--------------------------------------|---------------|----------------------|--|------------------|
|                                      | <u>Budget</u> | <u>Actual</u>        | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>    |
| Revenues                             | \$ —          | \$ —                 | \$ —                                   | \$ —             |
| Expenditures                         | —             | —                    | —                                      | —                |
| Revenues over expenditures           | —             | —                    | —                                      | —                |
| Other Financing Sources (Uses):      |               |                      |  |                  |
| Transfers in (out):                  |               |                      |  |                  |
| General fund                         | 179,364       | <b>179,364</b>       | —                                      | 107,734          |
| Special Revenue fund - Reappraisal   | (199,746)     | <b>(199,746)</b>     | —                                      | (197,735)        |
| Fund balance appropriated            | 20,382        | —                    | (20,382)                               | —                |
| Total other financing sources (uses) | —             | <b>20,382</b>        | (20,382)                               | (90,001)         |
| Net change in fund balance           | <u>\$ —</u>   | <b>20,382</b>        | <u>\$ 20,382</u>                       | (90,001)         |
| Fund balance, beginning of year      |               | <u><b>20,382</b></u> |  | <u>110,383</u>   |
| Fund balance, end of year            |               | <u><b>\$ —</b></u>   |  | <u>\$ 20,382</u> |

# RUTHERFORD COUNTY, NORTH CAROLINA

## ENHANCED 911 FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the year ended June 30, 2003 (With comparative actual amounts for the year ended June 30, 2002)

|                                    | <u>2003</u>    |                          |  | <u>2002</u>       |
|------------------------------------|----------------|--------------------------|--|-------------------|
|                                    | <u>Budget</u>  | <u>Actual</u>            | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>     |
| Revenues:                          |                |                          |  |                   |
| Charges for services:              |                |                          |  |                   |
| Landline                           | \$ 409,000     | \$ <b>402,000</b>        | \$ (7,000)                             | \$ 404,474        |
| Wireless                           | 105,000        | <b>112,690</b>           | 7,690                                  | 99,574            |
| Private road signs                 | 6,000          | <b>2,570</b>             | (3,430)                                | 6,612             |
| Total revenues                     | <u>520,000</u> | <u><b>517,260</b></u>    | <u>(2,740)</u>                         | <u>510,660</u>    |
| Expenditures:                      |                |                          |  |                   |
| Public safety:                     |                |                          |  |                   |
| Landlines                          | 415,374        | <b>374,248</b>           | 41,126                                 | 212,889           |
| Wireless                           | 282,541        | <b>176,240</b>           | 106,306                                | 84,312            |
| Debt service                       | 52,080         | <b>30,759</b>            | 21,321                                 | —                 |
| Total expenditures                 | <u>750,000</u> | <u><b>581,247</b></u>    | <u>168,753</u>                         | <u>297,201</u>    |
| Revenues over (under) expenditures | (230,000)      | <b>(63,987)</b>          | 166,013                                | 213,459           |
| Other financial sources:           |                |                          |  |                   |
| Proceeds of capital lease          | <u>230,000</u> | <u><b>235,565</b></u>    | <u>5,565</u>                           | <u>—</u>          |
| Net change in fund balance         | \$ <u>—</u>    | <u><b>171,578</b></u>    | \$ <u>171,578</u>                      | 213,459           |
| Fund balance, beginning of year    |                | <u><b>560,064</b></u>    |  | <u>346,605</u>    |
| Fund balance, end of year          |                | <u><b>\$ 731,642</b></u> |  | <u>\$ 560,064</u> |

**RUTHERFORD COUNTY, NORTH CAROLINA**

**TOURISM DEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2003  
(With comparative actual amounts for the year ended June 30, 2002)

|                                    | <u>2003</u>    |                  |  | <u>2002</u>      |
|------------------------------------|----------------|------------------|--|------------------|
|                                    | <u>Budget</u>  | <u>Actual</u>    | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>    |
| Revenues:                          |                |                  |  |                  |
| Other taxes and licenses           | \$ 266,500     | \$ 260,712       | \$ (5,788)                             | \$ 248,811       |
| Investment earnings                | 5,500          | 821              | (4,679)                                | 3,039            |
| Total revenues                     | <u>272,000</u> | <u>261,533</u>   | (10,467)                               | <u>251,850</u>   |
| Expenditures:                      |                |                  |  |                  |
| General government                 | <u>282,500</u> | <u>260,622</u>   | 21,878                                 | <u>269,563</u>   |
| Revenues over (under) expenditures | (10,500)       | 911              | 11,411                                 | —                |
| Other Financial Sources:           |                |                  |  |                  |
| Fund balance appropriated          | <u>10,500</u>  | —                | (10,500)                               | —                |
| Net change in fund balance         | <u>\$ —</u>    | <u>911</u>       | <u>\$ 911</u>                          | (17,713)         |
| Fund balance, beginning of year    |                | <u>21,946</u>    |  | <u>39,659</u>    |
| Fund balance, end of year          |                | <u>\$ 22,857</u> |  | <u>\$ 21,946</u> |

# RUTHERFORD COUNTY, NORTH CAROLINA

## GRANT FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2003

(With comparative actual amounts for the year ended June 30, 2002)

|                                    | <u>2003</u>      |                          |  | <u>2002</u>       |
|------------------------------------|------------------|--------------------------|--|-------------------|
|                                    | <u>Budget</u>    | <u>Actual</u>            | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>     |
| Revenues:                          |                  |                          |  |                   |
| Restricted intergovernmental       | \$ 545,473       | \$ <b>167,223</b>        | \$ (378,250)                           | \$ 621,507        |
| Private grants                     | 470,485          | <b>308,239</b>           | (162,246)                              | 75,000            |
| Total revenues                     | <u>1,015,958</u> | <u><b>475,462</b></u>    | <u>(540,496)</u>                       | <u>696,507</u>    |
| Expenditures:                      |                  |                          |  |                   |
| Public safety                      | 314,654          | <b>268,734</b>           | 45,920                                 | 323,222           |
| Economic and physical development  | 964,849          | <b>281,509</b>           | 683,340                                | 363,540           |
|                                    | <u>1,279,503</u> | <u><b>550,243</b></u>    | <u>729,260</u>                         | <u>686,762</u>    |
| Revenues (under) over expenditures | <u>(263,545)</u> | <u><b>(74,781)</b></u>   | <u>188,764</u>                         | <u>9,745</u>      |
| Other Financing Sources:           |                  |                          |  |                   |
| Transfers in:                      |                  |                          |  |                   |
| Building Capital Reserve Fund      | 16,667           | <b>16,667</b>            | —                                      | 19,667            |
| Proceeds from State loan           | 100,000          | <b>100,000</b>           | —                                      | —                 |
| Fund balance appropriated          | 146,878          | —                        | (146,878)                              | —                 |
|                                    | <u>263,545</u>   | <u><b>116,667</b></u>    | <u>(146,878)</u>                       | <u>19,667</u>     |
| Net change in fund balance         | <u>\$ —</u>      | <u><b>41,886</b></u>     | <u>\$ 41,886</u>                       | 29,412            |
| Fund balance, beginning of year    |                  | <u><b>150,476</b></u>    |  | <u>121,064</u>    |
| Fund balance, end of year          |                  | <u><b>\$ 192,362</b></u> |  | <u>\$ 150,476</u> |



**RUTHERFORD COUNTY, NORTH CAROLINA**

GRANT CDBG PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
From inception and for the year ended June 30, 2003

|                                    | <u>Authorization</u> | <u>Prior Years</u> | <b><u>Total<br/>Current Year</u></b> | <u>Total to Date</u> |
|------------------------------------|----------------------|--------------------|--------------------------------------|----------------------|
| Revenues:                          |                      |                    |                                      |                      |
| Restricted intergovernmental:      |                      |                    |                                      |                      |
| Proctor School Road Project:       |                      |                    |                                      |                      |
| Broad River Water Authority        | \$ 20,000            | \$ 20,000          | \$ —                                 | \$ 20,000            |
| Community Development Block Grant  | 95,242               | 6,059              | <b>78,148</b>                        | 84,207               |
|                                    | <hr/>                | <hr/>              | <hr/>                                | <hr/>                |
| Total revenues                     | 115,242              | 26,059             | <b>78,148</b>                        | 104,207              |
|                                    | <hr/>                | <hr/>              | <hr/>                                | <hr/>                |
| Expenditures:                      |                      |                    |                                      |                      |
| Economic and physical development: |                      |                    |                                      |                      |
| Proctor School Road Project:       |                      |                    |                                      |                      |
| Administrative                     | 7,929                | 2,559              | <b>5,370</b>                         | 7,929                |
| Planning                           | 3,500                | 3,500              | —                                    | 3,500                |
| Construction                       | 103,813              | —                  | <b>88,340</b>                        | 88,340               |
|                                    | <hr/>                | <hr/>              | <hr/>                                | <hr/>                |
| Total expenditures                 | 115,242              | 6,059              | <b>93,710</b>                        | 99,769               |
|                                    | <hr/>                | <hr/>              | <hr/>                                | <hr/>                |
| Net change in fund balance         | <u>\$ —</u>          | <u>\$ 20,000</u>   | <b>(15,562)</b>                      | <u>\$ 4,438</u>      |
| Fund balance, beginning of year    |                      |                    | <u><b>20,000</b></u>                 |                      |
| Fund balance, end of year          |                      |                    | <u><b>\$ 4,438</b></u>               |                      |

# RUTHERFORD COUNTY, NORTH CAROLINA

## FIRE DISTRICTS FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2003

(With comparative actual amounts for the year ended June 30, 2002)

|  | <u>2003</u>          |                      |  | <u>2002</u>          |
|--|----------------------|----------------------|--|----------------------|
|  | <u>Budget</u>        | <u>Actual</u>        | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>        |
| Revenues:                              |                      |                      |  |                      |
| Ad valorem taxes:                      |                      |                      |  |                      |
| Current year                           | \$ 1,144,977         | \$ 1,175,116         | \$ 30,139                              | \$ 959,928           |
| Prior years                            | 41,550               | 49,870               | 8,320                                  | 45,035               |
| Penalties and interest                 | —                    | 13,613               | 13,613                                 | 11,877               |
|  | <u>1,186,527</u>     | <u>1,238,599</u>     | <u>52,072</u>                          | <u>1,016,840</u>     |
| Other taxes and licenses:              |                      |                      |  |                      |
| Local option sales tax                 | 404,328              | 425,199              | 20,871                                 | 415,330              |
| Inventory tax reimbursement            | 47,097               | —                    | (47,097)                               | 23,773               |
|  | <u>451,425</u>       | <u>425,199</u>       | <u>(26,226)</u>                        | <u>439,103</u>       |
| <br>Total revenues                     | <br><u>1,637,952</u> | <br><u>1,663,798</u> | <br><u>25,846</u>                      | <br><u>1,455,943</u> |
| Expenditures:                          |                      |                      |  |                      |
| Public safety -                        |                      |                      |  |                      |
| Cliffside                              | 114,681              | 113,431              | 1,250                                  | 104,925              |
| Chimney Rock                           | 32,476               | 32,476               | —                                      | 29,964               |
| Sandy Mush                             | 100,404              | 95,686               | 4,718                                  | 96,648               |
| Bills Creek                            | 69,636               | 69,636               | —                                      | 55,567               |
| Shingle Hollow                         | 79,053               | 79,053               | —                                      | 67,160               |
| Shiloh, Danielstown, and Oakland       | 183,063              | 183,063              | —                                      | 179,942              |
| Cherry Mountain                        | 120,168              | 120,168              | —                                      | 113,195              |
| Hudlow                                 | 222,399              | 222,399              | —                                      | 206,974              |
| Rutherfordton                          | 156,032              | 156,032              | —                                      | 130,881              |
| Ellenboro                              | 177,737              | 177,737              | —                                      | 175,512              |
| Bostic                                 | 56,818               | 56,818               | —                                      | 56,704               |
| Union Mills                            | 69,020               | 69,020               | —                                      | 66,829               |
| Green Hill                             | 118,792              | 118,792              | —                                      | 96,212               |
| Contracted                             | 525,291              | 55,929               | 469,362                                | 54,656               |
| Hollis Community                       | 8,038                | 3,880                | 4,158                                  | 4,659                |
|  | <u>2,033,608</u>     | <u>1,554,120</u>     | <u>479,486</u>                         | <u>1,439,828</u>     |
| Environmental protection:              |                      |                      |  |                      |
| Cliffside Sanitary District            | 13,344               | 10,121               | 3,223                                  | 12,351               |
| <br>Total expenditures                 | <br><u>2,046,952</u> | <br><u>1,564,241</u> | <br><u>482,711</u>                     | <br><u>1,452,179</u> |
| <br>Revenues over (under) expenditures | <br><u>(409,000)</u> | <br><u>99,557</u>    | <br><u>508,557</u>                     | <br><u>3,764</u>     |
| Other Financing Sources:               |                      |                      |  |                      |
| Transfers:                             |                      |                      |  |                      |
| Debt service fund                      | —                    | (3,488)              | (3,488)                                | (3,185)              |
| Appropriated fund balance              | 409,000              | —                    | (409,000)                              | —                    |
|  | <u>409,000</u>       | <u>(3,488)</u>       | <u>(412,488)</u>                       | <u>(3,185)</u>       |
| <br>Net change in fund balance         | <br><u>\$ —</u>      | <br><u>96,069</u>    | <br><u>\$ 96,069</u>                   | <br><u>579</u>       |
| <br>Fund balance, beginning of year    |                      | <u>502,078</u>       |  | <u>501,499</u>       |
| <br>Fund balance, end of year          |                      | <u>\$ 598,147</u>    |  | <u>\$ 502,078</u>    |

# RUTHERFORD COUNTY, NORTH CAROLINA

## REGISTER OF DEEDS AUTOMATION ENHANCEMENT FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the year ended June 30, 2003

|                                      | <u>2003</u>   |                         |  | <u>2002</u>      |
|--------------------------------------|---------------|-------------------------|--|------------------|
|                                      | <u>Budget</u> | <u>Actual</u>           | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>    |
| Revenues:                            | \$ —          | \$ —                    | \$ —                                   | \$ —             |
| Expenditures:                        | 203,186       | <b>1,283</b>            | 201,903                                | —                |
| Revenues over expenditures           | 203,186       | <b>1,283</b>            | 201,903                                | —                |
| Other Financing Sources (Uses):      |               |                         |  |                  |
| Transfers in (out):                  |               |                         |  |                  |
| General fund                         | 41,386        | <b>64,615</b>           | 28,743                                 | 28,743           |
| Proceeds from capital lease          | 161,800       | —                       | (161,800)                              | —                |
| Total other financing sources (uses) | 203,186       | <b>64,615</b>           | (138,571)                              | 28,743           |
| Net change in fund balance           | <u>\$ —</u>   | <b>63,332</b>           | <u>\$ 63,332</u>                       | 28,743           |
| Fund balance, beginning of year      |               | <u><b>28,743</b></u>    |  | <u>—</u>         |
| Fund balance, end of year            |               | <u><b>\$ 92,075</b></u> |  | <u>\$ 28,743</u> |

**RUTHERFORD COUNTY, NORTH CAROLINA**

**WATER & SEWER PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
From inception and for the year ended June 30, 2003**

|                                    | <u>Authorization</u> | <u>Prior Years</u> | <b><u>Total<br/>Current Year</u></b> | <u>Total to Date</u> |
|------------------------------------|----------------------|--------------------|--------------------------------------|----------------------|
| Revenues                           | \$ —                 | \$ —               | \$ —                                 | \$ —                 |
| Expenditures:                      |                      |                    |                                      |                      |
| Economic and physical development: |                      |                    |                                      |                      |
| Administrative                     | 10,000               | —                  | <b>4,597</b>                         | 4,597                |
| Future projects                    | 160,000              | —                  | —                                    | —                    |
| Total expenditures                 | 170,000              | —                  | —                                    | —                    |
| Revenues over expenditures         | (170,000)            | —                  | —                                    | —                    |
| Other Financing Sources:           |                      |                    |                                      |                      |
| Transfers in                       | 170,000              | —                  | <b>170,609</b>                       | 170,609              |
| Net change in fund balance         | <u>\$ —</u>          | <u>\$ —</u>        | <b>166,012</b>                       | <u>\$ 166,012</u>    |
| Fund balance, beginning of year    |                      |                    | <u>—</u>                             |                      |
| Fund balance, end of year          |                      |                    | <b><u>\$ 166,012</u></b>             |                      |

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**CAPITAL PROJECTS FUND – COUNTY BUILDINGS**  
**BALANCE SHEET**  
June 30, 2003  
(With comparative totals for June 30, 2002)

|  | <u>2003</u>                | <u>2002</u>                |
|--|----------------------------|----------------------------|
| <b>Assets</b>                            |                            |                            |
| Cash and cash equivalents                | \$ 1,028,289               | \$ 1,227,356               |
| Cash and cash equivalents – restricted   | 679,335                    | –                          |
| Accounts receivable                      | <u>13,355</u>              | <u>39,535</u>              |
| Total assets                             | <u><u>\$ 1,720,979</u></u> | <u><u>\$ 1,266,891</u></u> |
| <b>Liabilities and Fund Balances</b>     |                            |                            |
| Liabilities:                             |                            |                            |
| Accounts payable and accrued liabilities | <u>\$ –</u>                | <u>\$ 83,977</u>           |
| Fund Balances:                           |                            |                            |
| Reserved by State Statute                | 13,355                     | 39,535                     |
| Unreserved:                              |                            |                            |
| Designated for future capital outlay     | <u>1,707,624</u>           | <u>1,143,379</u>           |
|  | <u>1,720,979</u>           | <u>1,182,914</u>           |
| Total liabilities and fund balances      | <u><u>\$ 1,720,979</u></u> | <u><u>\$ 1,266,891</u></u> |

# RUTHERFORD COUNTY, NORTH CAROLINA

## CAPITAL PROJECTS FUND – COUNTY BUILDINGS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL From inception and for the year ended June 30, 2003

|                                 | Actual                   |                |                 |                  |
|---------------------------------|--------------------------|----------------|-----------------|------------------|
|                                 | Project<br>Authorization | Prior<br>Years | Current<br>Year | Total<br>To Date |
| Revenues :                      |                          |                |                 |                  |
| Other taxes and licenses        | \$       –               | \$    34,472   | \$       693    | \$    35,165     |
| Investment earnings             | –                        | 51,222         | 10,719          | 61,941           |
| Total revenues                  | –                        | 85,694         | 11,412          | 97,106           |
| Expenditures:                   |                          |                |                 |                  |
| Capital Outlay:                 |                          |                |                 |                  |
| Courthouse renovations          | 1,828,692                | 1,293,481      | 442,046         | 1,735,527        |
| Senior Center                   | 771,675                  | 746,965        | 24,710          | 771,675          |
| Library/EMS                     | 353,474                  | 338,579        | 14,895          | 353,474          |
| Hollis                          | 37,000                   | 37,000         | –               | 37,000           |
| Unidentified project            | 509,159                  | –              | –               | –                |
| Tracker Industrial              | 3,050,000                | –              | 2,042,884       | 2,042,884        |
| Debt issuance costs             | 37,106                   | –              | 35,918          | 35,918           |
| Total expenditures              | 6,587,106                | 2,416,025      | 2,560,453       | 4,976,478        |
| Revenues under expenditures     | (6,587,106)              | (2,330,331)    | (2,549,041)     | (4,879,372)      |
| Other Financing Sources:        |                          |                |                 |                  |
| Installment purchase proceeds   | 4,737,106                | 3,500,000      | 1,237,106       | 4,737,106        |
| Transfers in:                   |                          |                |                 |                  |
| General fund                    | 1,850,000                | –              | 1,850,000       | 1,850,000        |
| Building capital reserve fund   | –                        | 13,245         | –               | 13,245           |
| Total other financing sources   | 6,587,106                | 3,513,245      | 3,087,106       | 6,600,351        |
| Net change in fund balance      | \$       –               | \$   1,182,914 | 538,065         | \$   1,720,979   |
| Fund balance, beginning of year |                          |                | 1,182,914       |                  |
| Fund balance, end of year       |                          |                | \$   1,720,979  |                  |

**RUTHERFORD COUNTY, NORTH CAROLINA**

ENTERPRISE FUNDS  
COMBINING BALANCE SHEET  
June 30, 2003  
(With comparative totals for June 30, 2002)

|  | <u>Solid Waste<br/>Fund</u> | <u>Solid Waste<br/>Reserve Fund</u> | <u>Totals</u> |              |
|--|-----------------------------|-------------------------------------|---------------|--------------|
|  |                             |                                     | <u>2003</u>   | <u>2002</u>  |
| <b>Assets</b>  |                             |                                     |               |              |
| Current assets:  |                             |                                     |               |              |
| Cash and cash equivalents                              | \$ 1,478,542                | \$ 3,841                            | \$ 1,482,383  | \$ 3,605,738 |
| Accounts receivable (net)                              | 410,360                     | —                                   | 410,360       | 364,719      |
| Due from other funds                                   | —                           | 125,000                             | 125,000       | —            |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |
| Total current assets                                   | 1,888,902                   | 128,841                             | 2,017,743     | 3,970,457    |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |
| Fixed assets (net)                                     | 2,819,398                   | —                                   | 2,819,398     | 2,627,880    |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |
| Due from other funds                                   | —                           | 1,725,000                           | 1,725,000     | —            |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |
|  | \$ 4,708,300                | \$ 1,853,841                        | \$ 6,562,141  | \$ 6,598,337 |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |
| <b>Liabilities and Fund Equities</b>                   |                             |                                     |               |              |
| Current liabilities:                                   |                             |                                     |               |              |
| Accounts payable and accrued liabilities               | \$ 177,278                  | \$ —                                | \$ 177,278    | \$ 228,206   |
| Current portion of long-term debt                      | 95,000                      | —                                   | 95,000        | 90,242       |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |
| Total current liabilities                              | 272,278                     | —                                   | 272,278       | 318,448      |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |
| Noncurrent liabilities:                                |                             |                                     |               |              |
| Accrued landfill closure and<br>postclosure care costs | —                           | 1,980,140                           | 1,980,140     | 2,002,163    |
| Long-term debt   | 893,986                     | —                                   | 893,986       | 988,986      |
| Total noncurrent liabilities                           | 893,986                     | 1,980,140                           | 2,874,126     | 2,991,149    |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |
| Total liabilities                                      | 1,166,264                   | 1,980,140                           | 3,146,404     | 3,309,597    |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |
| Fund equities:   |                             |                                     |               |              |
| Net assets (deficit)                                   | 3,542,036                   | (126,299)                           | 3,415,737     | 3,288,740    |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |
| Total fund equities                                    | 3,542,036                   | (126,299)                           | 3,415,737     | 3,288,740    |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |
|  | \$ 4,708,300                | \$ 1,853,841                        | \$ 6,562,141  | \$ 6,598,337 |
|  | <hr/>                       | <hr/>                               | <hr/>         | <hr/>        |

# RUTHERFORD COUNTY, NORTH CAROLINA

## ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)

For the year ended June 30, 2003  
(With comparative totals for June 30, 2002)

|   | Solid Waste<br>Fund | Solid Waste<br>Reserve Fund | Totals<br><u>2003</u>      | <u>2002</u>         |
|---|---------------------|-----------------------------|----------------------------|---------------------|
| Operating Revenues:                         |                     |                             |                            |                     |
| Charges for services                        | \$ 3,152,322        | \$ —                        | \$ <b>3,152,322</b>        | \$ 3,099,718        |
| Other operating revenues                    | 178,239             | —                           | <b>178,239</b>             | 205,721             |
| Total operating revenues                    | <u>3,330,561</u>    | <u>—</u>                    | <b><u>3,330,561</u></b>    | <u>3,305,439</u>    |
| Operating Expenses:                         |                     |                             |                            |                     |
| Salaries                                    | 755,113             | —                           | <b>755,113</b>             | 741,439             |
| Employee benefits                           | 192,062             | —                           | <b>192,062</b>             | 165,754             |
| Operating expenses                          | 1,801,417           | —                           | <b>1,801,417</b>           | 1,806,735           |
| Landfill closure and postclosure care costs | —                   | 8,836                       | <b>8,836</b>               | 8,111               |
| Depreciation                                | 291,854             | —                           | <b>291,854</b>             | 242,508             |
| Capital and maintenance                     | 77,136              | —                           | <b>77,136</b>              | 57,989              |
| Total operating expenses                    | <u>3,117,582</u>    | <u>8,836</u>                | <b><u>3,126,418</u></b>    | <u>3,022,536</u>    |
| Operating income (loss)                     | <u>212,979</u>      | <u>(8,836)</u>              | <b><u>204,143</u></b>      | <u>282,903</u>      |
| Nonoperating Revenues (Expenses):           |                     |                             |                            |                     |
| Interest income                             | 8,344               | —                           | <b>8,344</b>               | 13,683              |
| Interest expense                            | (55,490)            | —                           | <b>(55,490)</b>            | (60,049)            |
| Total nonoperating revenues (expenses)      | <u>(47,146)</u>     | <u>—</u>                    | <b><u>(47,146)</u></b>     | <u>(46,366)</u>     |
| Transfers:                                  |                     |                             |                            |                     |
| General Fund                                | (30,000)            | —                           | <b>(30,000)</b>            | (30,000)            |
| Landfill postclosure expenditures           | (30,859)            | 30,859                      | —                          | —                   |
| Total transfers                             | <u>(60,859)</u>     | <u>30,859</u>               | <b><u>(30,000)</u></b>     | <u>(30,000)</u>     |
| Increase (decrease) in retained earnings    | <u>104,974</u>      | <u>22,023</u>               | <b><u>126,997</u></b>      | <u>206,537</u>      |
| Net assets (deficit), beginning of year     | <u>3,437,062</u>    | <u>(148,322)</u>            | <b><u>3,288,740</u></b>    | <u>3,082,203</u>    |
| Net assets (deficit), end of year           | <u>\$ 3,542,036</u> | <u>\$ (126,299)</u>         | <b><u>\$ 3,415,737</u></b> | <u>\$ 3,288,740</u> |



**RUTHERFORD COUNTY, NORTH CAROLINA**

**SOLID WASTE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)**

For the year ended June 30, 2003

(With comparative actual amounts for the year ended June 30, 2002)

|  | <u>2003</u>      |                          | <u>2002</u>                            |                   |
|--|------------------|--------------------------|--|-------------------|
|  | <u>Budget</u>    | <u>Actual</u>            | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>     |
| Operating Revenues:  |                  |                          |  |                   |
| Charges for services   | \$ 3,220,676     | \$ <b>3,152,322</b>      | \$ (68,355)                            | \$ 3,099,718      |
| Other operating revenues   | 182,000          | <b>178,239</b>           | (3,761)                                | 205,721           |
| Total operating revenues   | <u>3,402,676</u> | <u><b>3,330,561</b></u>  | <u>(72,116)</u>                        | <u>3,305,439</u>  |
| Nonoperating Revenues:   |                  |                          |  |                   |
| Interest income  | 16,000           | <b>8,344</b>             | (7,656)                                | 13,683            |
|  | <u>16,000</u>    | <u><b>8,344</b></u>      | <u>(7,656)</u>                         | <u>13,683</u>     |
| Total revenues   | <u>3,418,676</u> | <u><b>3,338,905</b></u>  | <u>(79,771)</u>                        | <u>3,319,122</u>  |
| Expenditures:  |                  |                          |  |                   |
| Salaries   |                  | <b>755,113</b>           |  | 741,439           |
| Employee benefits  |                  | <b>192,062</b>           |  | 165,754           |
| Operating expenses   |                  | <b>1,801,417</b>         |  | 1,806,735         |
| Landfill closure   |                  | <b>30,859</b>            |  | 26,257            |
| Interest and fees  |                  | <b>55,490</b>            |  | 60,049            |
| Debt principal   |                  | <b>90,242</b>            |  | 85,685            |
| Capital outlay and maintenance   |                  | <b>560,508</b>           |  | 130,071           |
| Total expenditures   | <u>3,644,119</u> | <u><b>3,485,691</b></u>  | <u>158,428</u>                         | <u>3,015,990</u>  |
| Revenues over (under) expenditures                                     | <u>(225,443)</u> | <u><b>(146,786)</b></u>  | <u>78,657</u>                          | <u>303,132</u>    |
| Other Financing Sources (Uses):  |                  |                          |  |                   |
| Transfers in (out):  |                  |                          |  |                   |
| General fund   | (30,000)         | <b>(30,000)</b>          | —                                      | (30,000)          |
| Appropriated fund balance  | 255,443          | —                        | (255,443)                              | —                 |
| Total other financing sources (uses)                                   | <u>225,443</u>   | <u><b>(30,000)</b></u>   | <u>(255,443)</u>                       | <u>(30,000)</u>   |
| Revenues and other sources over<br>(under) expenditures and other uses | <u>\$ —</u>      | <u><b>(176,786)</b></u>  | <u>\$ (176,786)</u>                    | 273,132           |
| Reconciling Items:   |                  |                          |  |                   |
| Payment of debt principal  |                  | <b>90,242</b>            |  | 85,685            |
| Capital outlay   |                  | <b>483,372</b>           |  | 72,082            |
| Depreciation   |                  | <b>(291,854)</b>         |  | (242,508)         |
| Total reconciling items  |                  | <u><b>281,760</b></u>    |  | <u>(84,741)</u>   |
| Net income   |                  | <u><b>\$ 104,974</b></u> |  | <u>\$ 188,391</u> |

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SOLID WASTE RESERVE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)**

For the year ended June 30, 2003

(With comparative actual amounts for the year ended June 30, 2002)

|   | <u>2003</u>   |                       |  | <u>2002</u>   |
|---|---------------|-----------------------|--|---------------|
|   | <u>Budget</u> | <u>Actual</u>         | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u> |
| Revenues  | \$ —          | \$ —                  | \$ —                                   | \$ —          |
| Expenditures  | —             | —                     | —                                      | —             |
| Revenues over expenditures  | —             | —                     | —                                      | —             |
| Other Financial Sources (Uses):                                   | —             | —                     | —                                      | —             |
| Loan to General Fund  | (1,850,000)   | <b>(1,850,000)</b>    | —                                      | —             |
| Fund balance appropriated   | 1,850,000     | —                     | (1,850,000)                            | —             |
|   | —             | <b>(1,850,000)</b>    | (1,850,000)                            | —             |
| Excess of revenues and other (under)<br>sources over expenditures | \$ —          | \$ <b>(1,850,000)</b> | \$ (1,850,000)                         | \$ —          |

|   | <u>2003</u>           | <u>2002</u> |
|---|-----------------------|-------------|
| Reconciliation from budgetary basis (modified accrual) to full accrual basis: |                       |             |
| Excess of revenues and other sources over (under) expenditures                | \$ <b>(1,850,000)</b> | \$ —        |
| Reconciling Items:  |                       |             |
| Loan capitalized  | <b>1,850,000</b>      | —           |
| Landfill closure and postclosure care costs accruals                          | <b>(8,836)</b>        | (8,111)     |
| Payment of landfill closure by Solid Waste Fund                               | <b>30,859</b>         | 26,257      |
| Total reconciling items   | <b>1,872,023</b>      | 18,146      |
| Net income  | \$ <b>22,023</b>      | \$ 18,146   |

**RUTHERFORD COUNTY, NORTH CAROLINA**

**ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the year ended June 30, 2003  
(With comparative totals for June 30, 2002)**

|   | <u>Solid Waste<br/>Fund</u> | <u>Solid Waste<br/>Reserve Fund</u> | <u>Totals</u>       |                     |
|---|-----------------------------|-------------------------------------|---------------------|---------------------|
|   |                             |                                     | <u>2003</u>         | <u>2002</u>         |
| <b>Cash Flows From Operating Activities:</b>  |                             |                                     |                     |                     |
| Cash received from operating revenues   | \$ 3,284,920                | \$ —                                | \$ 3,284,920        | \$ 3,287,815        |
| Cash paid to employees for services   | (747,772)                   | —                                   | (747,772)           | (738,467)           |
| Cash paid for goods and services  | (2,128,884)                 | (30,859)                            | (2,159,743)         | (1,998,304)         |
| Net cash provided (used) by operating activities  | <u>408,264</u>              | <u>(30,859)</u>                     | <u>377,405</u>      | <u>551,044</u>      |
| <b>Cash Flows From Noncapital Financing Activities:</b>                                       |                             |                                     |                     |                     |
| Transfers to other funds  | (60,859)                    | 30,859                              | (30,000)            | (30,000)            |
| Advances to other funds   | —                           | (1,850,000)                         | (1,850,000)         | —                   |
| Net cash used by noncapital financing activities  | <u>(60,859)</u>             | <u>(1,819,141)</u>                  | <u>(1,880,000)</u>  | <u>(30,000)</u>     |
| <b>Cash Flows From Investing Activities:</b>  |                             |                                     |                     |                     |
| Interest income   | <u>8,344</u>                | —                                   | <u>8,344</u>        | <u>13,684</u>       |
| <b>Cash Flows From Capital And Related Financing Activities:</b>                              |                             |                                     |                     |                     |
| Acquisition of capital assets   | (483,372)                   | —                                   | (483,372)           | (72,082)            |
| Principal paid on debt  | (90,242)                    | —                                   | (90,242)            | (85,685)            |
| Interest paid on debt   | (55,490)                    | —                                   | (55,490)            | (60,048)            |
| Net cash used by capital and related financing activities                                     | <u>(629,104)</u>            | <u>—</u>                            | <u>(629,104)</u>    | <u>(204,131)</u>    |
| Net increase (decrease) in cash and cash equivalents  | (273,355)                   | (1,850,000)                         | (2,123,355)         | 316,913             |
| Cash and cash equivalents at beginning of year  | <u>1,751,897</u>            | <u>1,853,841</u>                    | <u>3,605,738</u>    | <u>3,288,825</u>    |
| Cash and cash equivalents at end of year  | <u>\$ 1,478,542</u>         | <u>\$ 3,841</u>                     | <u>\$ 1,482,383</u> | <u>\$ 3,605,738</u> |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>       |                             |                                     |                     |                     |
| Operating income (loss)   | \$ 212,979                  | \$ (8,836)                          | \$ 204,143          | \$ 282,903          |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities |                             |                                     |                     |                     |
| Depreciation  | 291,854                     | —                                   | 291,854             | 242,508             |
| Landfill closure and postclosure care costs   | —                           | (22,023)                            | (22,023)            | (18,146)            |
| Changes in operating assets and liabilities:  |                             |                                     |                     |                     |
| (Increase) decrease in accounts receivable  | (45,641)                    | —                                   | (45,641)            | (17,624)            |
| Increase (decrease) in accounts payable and accrued liabilities                               | (50,928)                    | —                                   | (50,928)            | 43,257              |
| Total adjustments   | <u>195,285</u>              | <u>(22,023)</u>                     | <u>173,262</u>      | <u>268,141</u>      |
| Net cash provided (used) by operating activities  | <u>\$ 408,264</u>           | <u>\$ (30,859)</u>                  | <u>\$ 377,405</u>   | <u>\$ 551,044</u>   |

# RUTHERFORD COUNTY, NORTH CAROLINA

## COMPONENT UNIT RUTHERFORD COUNTY TRANSIT ADMINISTRATION SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2003  
(With comparative actual amounts for the year ended June 30, 2002)

|   | <u>2003</u>    |                  |  | <u>2002</u>      |
|---|----------------|------------------|--|------------------|
|   | <u>Budget</u>  | <u>Actual</u>    | Variance<br>Favorable<br>(Unfavorable) | <u>Actual</u>    |
| Revenues:   |                |                  |  |                  |
| Charges for services  | \$ 336,346     | \$ 275,758       | \$ (60,588)                            | \$ 341,132       |
| State transportation assistance grants                      | 437,248        | 441,870          | 4,622                                  | 254,128          |
| Total   | <u>773,594</u> | <u>717,628</u>   | <u>(55,966)</u>                        | <u>595,260</u>   |
| Expenditures:   |                |                  |  |                  |
| Salaries  |                | 305,281          |  | 335,373          |
| Employee benefits   |                | 72,024           |  | 60,783           |
| Operating expenses  |                | 57,157           |  | 35,718           |
| Capital outlay and maintenance                              |                | 241,773          |  | 290,362          |
| Total   | <u>769,782</u> | <u>676,235</u>   | <u>93,547</u>                          | <u>722,236</u>   |
| Revenue over (under) expenditures                           | <u>3,812</u>   | <u>41,393</u>    | <u>37,581</u>                          | <u>(126,976)</u> |
| Other Financial Sources (Uses):                             |                |                  |  |                  |
| Transfers:  |                |                  |  |                  |
| To primary government                                       | (5,000)        | (5,000)          | —                                      | (5,000)          |
| Contributed capital   | —              | —                | —                                      | 190,020          |
| Fund balance appropriation                                  | 1,188          | —                | (1,188)                                | —                |
| Total   | <u>(3,812)</u> | <u>(5,000)</u>   | <u>(1,188)</u>                         | <u>185,020</u>   |
| Excess of revenues over (under) expenditures and other uses | <u>\$ —</u>    | <u>\$ 36,393</u> | <u>\$ 36,393</u>                       | <u>\$ 58,044</u> |

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

|  | <u>2003</u>      | <u>2002</u>       |
|--|------------------|-------------------|
| Excess revenues and other sources over (under) expenditures and other uses | <u>\$ 36,393</u> | <u>\$ 58,044</u>  |
| Reconciling Items:   |                  |                   |
| Capital outlay - items capitalized   | 132,913          | 190,020           |
| Depreciation   | (95,597)         | (71,555)          |
| Total reconciling items  | <u>37,316</u>    | <u>118,465</u>    |
| Net income   | <u>\$ 73,709</u> | <u>\$ 176,509</u> |

# RUTHERFORD COUNTY, NORTH CAROLINA

## AGENCY FUNDS COMBINING BALANCE SHEET June 30, 2003 (With comparative totals for June 30, 2002)

|                                      | Agency                    |  |                                     |   | Totals            |                   |
|--------------------------------------|---------------------------|--|-------------------------------------|---|-------------------|-------------------|
|                                      | Social<br>Service<br>Fund | Agriculture<br>Department<br>Advisory<br>Council<br>Fund | Cities<br>Tax<br>Collection<br>Fund | Detention<br>Center<br>Commissary<br>Fund | 2003              | 2002              |
| <b>Assets</b>                        |                           |  |                                     |   |                   |                   |
| Cash and cash equivalents            | \$ 110,722                | \$ 11,059  | \$ 106,099                          | \$ 14,524                                 | \$ 242,404        | \$ 193,705        |
|                                      | <u>\$ 110,722</u>         | <u>\$ 11,059</u>   | <u>\$ 106,099</u>                   | <u>\$ 14,524</u>                          | <u>\$ 242,404</u> | <u>\$ 193,705</u> |
| <b>Liabilities and Fund Balances</b> |                           |  |                                     |   |                   |                   |
| Liabilities:                         |                           |  |                                     |   |                   |                   |
| Accounts payable                     | \$ 110,722                | \$ 11,059  | \$ 106,099                          | \$ 14,524                                 | \$ 242,404        | \$ 193,705        |
| Total liabilities                    | <u>110,722</u>            | <u>11,059</u>  | <u>106,099</u>                      | <u>14,524</u>                             | <u>242,404</u>    | <u>193,705</u>    |
| Fund Balances                        | <u>—</u>                  | <u>—</u>   | <u>—</u>                            | <u>—</u>                                  | <u>—</u>          | <u>—</u>          |
|                                      | <u>\$ 110,722</u>         | <u>\$ 11,059</u>   | <u>\$ 106,099</u>                   | <u>\$ 14,524</u>                          | <u>\$ 242,404</u> | <u>\$ 193,705</u> |

# RUTHERFORD COUNTY, NORTH CAROLINA

## AGENCY FUNDS - COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES For the year ended June 30, 2003

|  | <u>Balance</u><br><u>July 1, 2002</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u><br><u>June 30, 2003</u> |
|--|---------------------------------------|------------------|-------------------|--|
| Social Services Fund                             |                                       |                  |                   |  |
| Assets:  |                                       |                  |                   |  |
| Cash and cash equivalents                        | \$ 99,885                             | \$ 285,576       | \$ 274,739        | \$ 110,722                             |
| Liabilities:                                     |                                       |                  |                   |  |
| Accounts payable                                 | \$ 99,885                             | \$ 285,576       | \$ 274,739        | \$ 110,772                             |
| Agricultural Department Advisory<br>Council Fund |                                       |                  |                   |  |
| Assets:  |                                       |                  |                   |  |
| Cash and cash equivalents                        | \$ 10,410                             | \$ 16,830        | \$ 16,181         | \$ 11,059                              |
| Liabilities:                                     |                                       |                  |                   |  |
| Accounts payable                                 | \$ 10,410                             | \$ 16,830        | \$ 16,181         | \$ 11,059                              |
| Other Taxing Units                               |                                       |                  |                   |  |
| Assets:  |                                       |                  |                   |  |
| Cash and cash equivalents                        | \$ 76,272                             | \$ 4,894,869     | \$ 4,865,042      | \$ 106,099                             |
| Liabilities:                                     |                                       |                  |                   |  |
| Accounts payable                                 | \$ 76,272                             | \$ 4,894,869     | \$ 4,865,042      | \$ 106,099                             |
| Detention Center Commissary Fund                 |                                       |                  |                   |  |
| Assets:  |                                       |                  |                   |  |
| Cash and cash equivalents                        | \$ 7,138                              | \$ 95,523        | \$ 88,137         | \$ 14,524                              |
| Liabilities:                                     |                                       |                  |                   |  |
| Accounts payable                                 | \$ 7,138                              | \$ 95,523        | \$ 88,137         | \$ 14,524                              |
| Totals - All Agency Funds                        |                                       |                  |                   |  |
| Assets:  |                                       |                  |                   |  |
| Cash and cash equivalents                        | \$ 193,705                            | \$ 5,292,798     | \$ 5,244,099      | \$ 242,404                             |
| Liabilities:                                     |                                       |                  |                   |  |
| Accounts payable                                 | \$ 193,705                            | \$ 5,292,798     | \$ 5,244,099      | \$ 242,404                             |

## **SUPPLEMENTAL FINANCIAL DATA**

This section contains additional information on Taxes Receivable and Tax Levy.

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SCHEDULE OF GENERAL FUND AD VALOREM TAXES RECEIVABLE**  
June 30, 2003

| <u>Fiscal Year</u>  | <u>Uncollected<br/>Balance<br/>July 1, 2002</u> | <u>Additions</u>     | <u>Collections<br/>And Credits</u> | <u>Uncollected<br/>Balance<br/>June 30, 2003</u> |
|---|---|----------------------|------------------------------------|--|
| 2002-2003   | \$ —  | \$ 24,469,975        | \$ 23,401,911                      | \$ <b>1,068,064</b>                              |
| 2001-2002   | 970,667   | —                    | 623,569                            | <b>347,098</b>                                   |
| 2000-2001   | 310,964   | —                    | 120,421                            | <b>190,543</b>                                   |
| 1999-2000   | 167,610   | —                    | 51,636                             | <b>115,974</b>                                   |
| 1998-1999   | 114,926   | —                    | 23,964                             | <b>90,962</b>                                    |
| 1997-1998   | 85,748  | —                    | 10,163                             | <b>75,585</b>                                    |
| 1996-1997   | 66,832  | —                    | 6,254                              | <b>60,578</b>                                    |
| 1995-1996   | 52,086  | —                    | 4,333                              | <b>47,753</b>                                    |
| 1994-1995   | 41,985  | —                    | 2,796                              | <b>39,189</b>                                    |
| 1993-1994   | 38,094  | —                    | 2,817                              | <b>35,277</b>                                    |
| 1992-1993   | 32,228  | —                    | 32,228                             | —  |
|   | <u>\$ 1,881,140</u>                             | <u>\$ 24,469,975</u> | <u>\$ 24,280,092</u>               | <u><b>2,071,023</b></u>                          |
| Less allowance for uncollectible ad valorem<br>taxes receivable |   |                      |                                    | <u><b>515,000</b></u>                            |
| Ad valorem taxes receivable - net                               |   |                      |                                    | <u><b>\$ 1,556,023</b></u>                       |
| Reconcilement with revenues:<br>Ad valorem taxes - General fund |   |                      |                                    | <u><b>\$ 24,033,525</b></u>                      |
| Reconciling items:  |   |                      |                                    |  |
| Interest collected  |   |                      |                                    | <b>(215,000)</b>                                 |
| Discounts/adjustments   |   |                      |                                    | <b>391,791</b>                                   |
| Taxes written off   |   |                      |                                    | <u><b>69,776</b></u>                             |
| Total reconciling items   |   |                      |                                    | <u><b>246,567</b></u>                            |
| Total collections and credits                                   |   |                      |                                    | <u><b>\$ 24,280,092</b></u>                      |



# RUTHERFORD COUNTY, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY GENERAL FUND For the year ended June 30, 2003

|  |                               |             | <u>Total Levy</u>     |  |  |
|--|-------------------------------|-------------|-----------------------|--|--|
|  | <u>Property<br/>Valuation</u> | <u>Rate</u> | <u>Total<br/>Levy</u> | <u>Property<br/>excluding<br/>Registered<br/>Motor<br/>Vehicle</u> | <u>Registered<br/>Motor<br/>Vehicles</u> |
| Original Levy:                           |                               |             |                       |  |  |
| Property taxed at current years rate     | \$ 3,755,798,548              | \$ 0.62     | \$ 23,285,951         | \$ 22,437,685  | \$ 848,266                               |
| Motor vehicles taxed at prior years rate | 178,160,152                   | 0.66        | 1,175,857             | —  | 1,175,857                                |
| Penalties                                | <u>—</u>                      |             | <u>22,183</u>         | <u>22,183</u>  | <u>—</u>                                 |
| Total                                    | <u>3,933,958,700</u>          |             | <u>24,483,991</u>     | <u>22,459,868</u>  | <u>2,024,123</u>                         |
| Discoveries:                             |                               |             |                       |  |  |
| Current year taxes                       | 9,600,645                     | 0.62        | 59,524                | 59,524   | —  |
| Penalties                                | <u>—</u>                      |             | <u>7,790</u>          | <u>7,790</u>   | <u>—</u>                                 |
| Total                                    | <u>9,600,645</u>              |             | <u>67,314</u>         | <u>67,314</u>  | <u>—</u>                                 |
| Advertising costs                        | —                             |             | 10,212                | 10,212   | —  |
| Abatements                               | <u>(13,870,000)</u>           |             | <u>(91,542)</u>       | <u>(45,413)</u>  | <u>(46,129)</u>                          |
| Total property valuation                 | <u>\$ 3,929,689,345</u>       |             |                       |  |  |
| Net levy                                 |                               |             | 24,469,975            | 22,491,981   | 1,977,994                                |
| Less: Uncollected taxes at June 30, 2003 |                               |             | <u>1,068,064</u>      | <u>723,987</u>   | <u>344,077</u>                           |
| Current year taxes collected             |                               |             | <u>\$ 23,401,911</u>  | <u>\$ 21,767,994</u>   | <u>\$ 1,633,917</u>                      |
| Percent current year collected           |                               |             | <u>95.64%</u>         | <u>96.78%</u>  | <u>82.60%</u>                            |

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SCHEDULE OF SPECIAL DISTRICTS AD VALOREM TAXES RECEIVABLE**  
June 30, 2003

| <u>Fiscal Year</u>                   | <u>Uncollected<br/>Balance<br/>July 1, 2002</u> | <u>Additions</u>    | <u>Collections<br/>And Credits</u> | <u>Uncollected<br/>Balance<br/>June 30, 2003</u> |
|--------------------------------------|---|---------------------|------------------------------------|--|
| 2002-2003                            | \$ —  | \$ 1,226,746        | \$ 1,163,541                       | \$ <b>63,205</b>                                 |
| 2001-2002                            | 56,861  | —                   | 37,175                             | <b>19,686</b>                                    |
| 2000-2001                            | 18,931  | —                   | 7,475                              | <b>11,456</b>                                    |
| 1999-2000                            | 10,166  | —                   | 3,351                              | <b>6,815</b>                                     |
| 1998-1999                            | 6,591   | —                   | 1,594                              | <b>4,997</b>                                     |
| 1997-1998                            | 4,745   | —                   | 652                                | <b>4,093</b>                                     |
| 1996-1997                            | 3,644   | —                   | 351                                | <b>3,293</b>                                     |
| 1995-1996                            | 2,516   | —                   | 218                                | <b>2,298</b>                                     |
| 1994-1995                            | 2,265   | —                   | 165                                | <b>2,100</b>                                     |
| 1993-1994                            | 2,047   | —                   | 179                                | <b>1,868</b>                                     |
|                                      | <u>\$ 107,766</u>                               | <u>\$ 1,226,746</u> | <u>\$ 1,214,701</u>                |  |
| Ad valorem taxes receivable          |   |                     |                                    | <u><b>\$ 119,811</b></u>                         |
| Reconcilement with revenues:         |   |                     |                                    |  |
| Ad valorem taxes - Special districts |   |                     |                                    | <u><b>\$ 1,238,603</b></u>                       |
| Reconciling items:                   |   |                     |                                    |  |
| Interest collected                   |   |                     |                                    | (12,554)   |
| Discounts/adjustments                |   |                     |                                    | 7,917  |
| Taxes written off                    |   |                     |                                    | <u>(19,265)</u>                                  |
| Total reconciling items              |   |                     |                                    | <u><b>(23,902)</b></u>                           |
| Total collections and credits        |   |                     |                                    | <u><b>\$ 1,214,701</b></u>                       |

ANALYSIS OF CURRENT TAX LEVY  
SPECIAL DISTRICTS LEVY  
For the year ended June 30, 2003

|  |                               |             |                       | <u>Total Levy</u>  |  |
|--|-------------------------------|-------------|-----------------------|--|--|
|  | <u>Property<br/>Valuation</u> | <u>Rate</u> | <u>Total<br/>Levy</u> | <u>Property<br/>excluding<br/>Registered<br/>Motor<br/>Vehicle</u> | <u>Registered<br/>Motor<br/>Vehicles</u> |
| Chimney Rock Fire                        |                               |             |                       |  |  |
| Property taxed at current years rate     | \$ 35,765,000                 | \$ 0.06     | \$ 21,459             | \$ 20,966  | \$ 493                                   |
| Motor vehicles taxed at prior years rate | 297,500                       | 0.08        | 238                   | —  | 238                                      |
| Sandy Mush Fire                          |                               |             |                       |  |  |
| Property taxed at current years rate     | 210,036,667                   | 0.03        | 63,011                | 57,538   | 5,473                                    |
| Motor vehicles taxed at prior years rate | 8,090,000                     | 0.03        | 2,427                 | —  | 2,427                                    |
| Cliffside Sanitary                       |                               |             |                       |  |  |
| Property taxed at current years rate     | 8,706,250                     | 0.08        | 6,965                 | 6,781  | 184                                      |
| Motor vehicles taxed at prior years rate | 73,750                        | 0.08        | 59                    | —  | 59                                       |
| Bills Creek Fire                         |                               |             |                       |  |  |
| Property taxed at current years rate     | 68,284,286                    | 0.07        | 47,799                | 45,507   | 2,292                                    |
| Motor vehicles taxed at prior years rate | 3,250,000                     | 0.07        | 2,275                 | —  | 2,275                                    |
| Shingle Hollow Fire                      |                               |             |                       |  |  |
| Property taxed at current years rate     | 56,024,000                    | 0.10        | 56,024                | 51,342   | 4,682                                    |
| Motor vehicles taxed at prior years rate | 2,119,000                     | 0.10        | 2,119                 | —  | 2,119                                    |
| Shiloh, Danielstown and Oakland Fire     |                               |             |                       |  |  |
| Property taxed at current years rate     | 258,664,000                   | 0.05        | 129,332               | 118,836  | 10,496                                   |
| Motor vehicles taxed at prior years rate | 9,580,000                     | 0.05        | 4,790                 | —  | 4,790                                    |
| Cherry Mountain Fire                     |                               |             |                       |  |  |
| Property taxed at current years rate     | 87,514,444                    | 0.09        | 78,763                | 74,410   | 4,353                                    |
| Motor vehicles taxed at prior years rate | 2,225,556                     | 0.09        | 2,003                 | —  | 2,003                                    |
| Hudlow Fire                              |                               |             |                       |  |  |
| Property taxed at current years rate     | 198,527,500                   | 0.08        | 158,822               | 149,390  | 9,432                                    |
| Motor vehicles taxed at prior years rate | 5,605,000                     | 0.08        | 4,484                 | —  | 4,484                                    |
| Rutherfordton Fire                       |                               |             |                       |  |  |
| Property taxed at current years rate     | 148,095,714                   | 0.07        | 103,667               | 97,016   | 6,651                                    |
| Motor vehicles taxed at prior years rate | 4,094,286                     | 0.07        | 2,866                 | —  | 2,866                                    |
| Cliffside Fire                           |                               |             |                       |  |  |
| Property taxed at current years rate     | 201,732,500                   | 0.04        | 80,693                | 76,466   | 4,227                                    |
| Motor vehicles taxed at prior years rate | 5,445,000                     | 0.04        | 2,178                 | —  | 2,178                                    |
| Ellenboro Fire                           |                               |             |                       |  |  |
| Property taxed at current years rate     | 212,198,333                   | 0.06        | 127,319               | 116,285  | 11,034                                   |
| Motor vehicles taxed at prior years rate | 9,070,000                     | 0.06        | 5,442                 | —  | 5,442                                    |

ANALYSIS OF CURRENT TAX LEVY  
SPECIAL DISTRICTS LEVY  
For the year ended June 30, 2003

|   | Property<br>Valuation | Rate | Total<br>Levy       | Total Levy  |                                 |
|---|-----------------------|------|---------------------|---|---------------------------------|
|   |                       |      |                     | Property<br>excluding<br>Registered<br>Motor<br>Vehicle | Registered<br>Motor<br>Vehicles |
| Bostic Fire                                 |                       |      |                     |   |                                 |
| Property taxed at current years <u>rate</u> | 75,710,000            | 0.05 | 37,855              | 34,618  | 3,237                           |
| Motor vehicles taxed at prior years rate    | 3,672,000             | 0.05 | 1,836               | —   | 1,836                           |
| Union Mills Fire                            |                       |      |                     |   |                                 |
| Property taxed at current years rate        | 96,232,000            | 0.05 | 48,116              | 45,064  | 3,052                           |
| Motor vehicles taxed at prior years rate    | 3,008,000             | 0.05 | 1,504               | —   | 1,504                           |
| Green Hill Fire                             |                       |      |                     |   |                                 |
| Property taxed at current years rate        | 120,802,857           | 0.07 | 84,562              | 78,308  | 6,254                           |
| Motor vehicles taxed at prior years rate    | 4,107,143             | 0.07 | 2,875               | —   | 2,875                           |
| Hollis Fire                                 |                       |      |                     |   |                                 |
| Property taxed at current years rate        | 20,510,000            | 0.03 | 6,153               | 5,764   | 389                             |
| Motor vehicles taxed at prior years rate    | 590,000               | 0.03 | 177                 | —   | 177                             |
| Contracted Fire                             |                       |      |                     |   |                                 |
| Property taxed at current years rate        | 472,046,667           | 0.03 | 141,614             | 131,931   | 9,683                           |
| Motor vehicles taxed at prior years rate    | 14,873,333            | 0.03 | 4,462               | —   | 4,462                           |
| Total                                       |                       |      | 1,231,889           | 1,110,222   | 121,667                         |
| Penalties                                   |                       |      | 1,063               | 1,063   | —                               |
| Discoveries                                 |                       |      | 2,738               | 2,738   | —                               |
| Gross tax levy                              |                       |      | 1,235,690           | 1,114,023   | 121,667                         |
| Releases                                    |                       |      | (8,944)             | (6,972)   | (1,972)                         |
| Net levy                                    |                       |      | 1,226,746           | 1,107,051   | 119,695                         |
| Less: Uncollected taxes at June 30, 2003    |                       |      | 63,205              | 44,285  | 18,920                          |
| Current year taxes collected                |                       |      | <u>\$ 1,163,541</u> | <u>\$ 1,062,766</u>                                     | <u>\$ 100,775</u>               |
| Percent current year collected              |                       |      | <u>94.85%</u>       | <u>96.00%</u>   | <u>84.19%</u>                   |

### **Statistical Section**

The Statistical Section includes data extracted from prior years' financial reports and various other sources. The data is rounded to significant digits to more clearly illustrate existing trends.

The information presented in this section does not provide full and adequate disclosure of financial information for prior years required by generally accepted accounting principles. Such information is provided for supplementary analysis purposes and should be relied on only for the purpose specified.

**RUTHERFORD COUNTY, NORTH CAROLINA**

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION <sup>(1)</sup>**  
Last ten fiscal years

| <u>Fiscal Year<br/>Ended June 30</u> | <u>General<br/>Government</u> | <u>Public<br/>Safety</u> | <u>Environmental<br/>Protection</u> | <u>Economic &amp;<br/>Physical<br/>Development<sup>(3)</sup></u> |
|--------------------------------------|-------------------------------|--------------------------|-------------------------------------|--|
| 2003                                 | \$ 4,560,320                  | \$ 9,852,175             | \$ 100,813                          | \$ 1,055,040   |
| 2002                                 | 4,356,056                     | 9,020,892                | 107,310                             | 564,103  |
| 2001                                 | 4,244,612                     | 9,089,757                | 110,388                             | 2,849,302  |
| 2000                                 | 5,162,891                     | 8,571,300                | 108,555                             | 478,063  |
| 1999                                 | 4,171,871                     | 8,101,733                | 107,880                             | 245,560  |
| 1998                                 | 3,570,479                     | 7,411,190                | 106,391                             | 237,139  |
| 1997                                 | 3,670,570                     | 8,045,351                | 102,144                             | 630,525  |
| 1996                                 | 2,961,175                     | 6,335,641                | 397,871                             | 472,769  |
| 1995                                 | 3,267,311                     | 6,369,292                | 464,512                             | 267,541  |
| 1994                                 | 3,536,986                     | 5,507,680                | 551,873                             | 825,330  |

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<sup>(1)</sup> Includes General, Special Revenue, Debt Service and Capital Projects Funds.

<sup>(2)</sup> Includes construction costs of the School Construction Capital Project Fund.

<sup>(3)</sup> Includes Rutherford County Airport Authority and Economic Development Commission through 1994.

| <u>Human<br/>Services</u> | <u>Cultural<br/>and<br/>Recreational</u> | <u>Education</u> | <u>Capital<br/>Outlay<sup>(2)</sup></u> | <u>Debt<br/>Service</u> | <u>Total</u>         |
|---------------------------|--|------------------|---|-------------------------|----------------------|
| \$ 13,119,093             | \$ 361,562                               | \$ 10,830,042    | \$ 10,503,729                           | \$ 6,363,542            | <b>\$ 56,746,316</b> |
| 12,220,518                | 343,050                                  | 11,009,323       | 3,562,597                               | 4,978,153               | <b>46,162,002</b>    |
| 11,828,810                | 377,697                                  | 10,210,333       | 7,325,546                               | 4,944,697               | <b>50,981,142</b>    |
| 11,068,478                | 415,102                                  | 9,741,755        | 8,957,508                               | 4,968,895               | <b>49,472,547</b>    |
| 9,618,938                 | 369,971                                  | 9,134,974        | 10,541,447                              | 5,009,027               | <b>47,301,401</b>    |
| 8,262,779                 | 323,519                                  | 9,563,790        | 7,875,252                               | 5,271,074               | <b>42,621,613</b>    |
| 8,445,156                 | 306,324                                  | 9,076,737        | 2,886,671                               | 5,441,208               | <b>38,604,686</b>    |
| 7,892,106                 | 293,533                                  | 9,092,355        | 3,092,085                               | 5,521,092               | <b>36,058,627</b>    |
| 7,787,742                 | 501,581                                  | 8,543,894        | 11,428,169                              | 5,434,141               | <b>44,064,183</b>    |
| 7,347,456                 | 450,566                                  | 8,284,733        | 3,141,482                               | 4,771,273               | <b>34,417,379</b>    |

# RUTHERFORD COUNTY, NORTH CAROLINA

## GENERAL GOVERNMENTAL REVENUES BY SOURCE<sup>(1)</sup> Last ten fiscal years

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Ad Valorem<br/>Taxes</u> | <u>Other<br/>Taxes</u> | <u>Unrestricted<br/>Inter<br/>governmental<br/>Revenues</u> | <u>Licenses<br/>and<br/>Permits</u> | <u>Restricted<br/>Inter<br/>governmental<br/>Revenues</u> | <u>Other<sup>(2)</sup></u> | <u><b>Total</b></u>  |
|--------------------------------------|-----------------------------|------------------------|---|-------------------------------------|---|----------------------------|----------------------|
| 2003                                 | \$ 25,272,124               | \$9,532,653            | \$ 0  | \$1,092,816                         | \$ 9,031,207  | \$3,730,260                | <b>\$ 48,659,060</b> |
| 2002                                 | 21,839,759                  | 9,070,528              | 1,221,268   | 852,716                             | 6,729,260   | 2,912,904                  | <b>42,626,435</b>    |
| 2001                                 | 20,370,817                  | 9,061,456              | 1,820,061   | 734,623                             | 12,469,970  | 3,108,575                  | <b>47,565,502</b>    |
| 2000                                 | 18,373,139                  | 8,692,554              | 1,818,825   | 680,697                             | 13,678,284  | 3,889,595                  | <b>47,133,094</b>    |
| 1999                                 | 17,122,048                  | 8,208,584              | 1,847,778   | 675,287                             | 13,996,673  | 3,015,380                  | <b>44,865,750</b>    |
| 1998                                 | 17,190,195                  | 7,854,761              | 1,865,344   | 625,419                             | 12,741,869  | 3,105,375                  | <b>43,382,963</b>    |
| 1997                                 | 16,104,879                  | 7,575,693              | 1,873,171   | 543,978                             | 5,793,491   | 2,594,769                  | <b>34,485,981</b>    |
| 1996                                 | 15,905,613                  | 7,435,201              | 1,844,123   | 514,418                             | 5,024,159   | 2,684,855                  | <b>33,408,369</b>    |
| 1995                                 | 16,589,516                  | 7,003,141              | 1,861,195   | 469,984                             | 4,648,178   | 2,692,396                  | <b>33,264,410</b>    |
| 1994                                 | 14,811,322                  | 6,700,246              | 1,927,203   | 477,611                             | 4,656,117   | 3,841,517                  | <b>32,414,016</b>    |

<sup>(1)</sup> Includes General, Special Revenue, Debt Service and Capital Project Funds.

<sup>(2)</sup> Includes Employee Benefits Fund through 1994.



# **RUTHERFORD COUNTY, NORTH CAROLINA**

## **GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE** Last ten fiscal years

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Ad Valorem<br/>Taxes</u> | <u>Local<br/>Option<br/>Sales Tax</u> | <u>Intangibles<br/>Tax Reim-<br/>bursements</u> | <u>Homestead<br/>Exemption</u> | <u>Inventory<br/>Tax Reim-<br/>bursements</u> | <u><b>Total</b></u>  |
|--------------------------------------|-----------------------------|---------------------------------------|---|--------------------------------|---|----------------------|
| 2003                                 | \$ 25,272,124               | \$ 9,532,653                          | \$ —  | \$ —                           | \$ —  | <b>\$ 34,804,777</b> |
| 2002                                 | 21,839,759                  | 8,763,472                             | 502,616   | —                              | 637,472                                       | <b>31,743,319</b>    |
| 2001                                 | 20,370,817                  | 8,778,747                             | 491,747   | 64,499                         | 1,268,312                                     | <b>30,974,122</b>    |
| 2000                                 | 18,373,139                  | 8,422,527                             | 490,207   | 64,499                         | 1,268,217                                     | <b>28,618,589</b>    |
| 1999                                 | 17,122,048                  | 7,961,772                             | 490,138   | 92,356                         | 1,269,083                                     | <b>26,935,397</b>    |
| 1998                                 | 17,190,195                  | 7,646,500                             | 492,532   | 99,696                         | 1,272,010                                     | <b>26,700,933</b>    |
| 1997                                 | 16,104,879                  | 7,381,858                             | 499,681   | 64,499                         | 1,276,631                                     | <b>25,327,548</b>    |
| 1996                                 | 15,905,613                  | 7,198,775                             | 502,446   | 64,499                         | 1,280,495                                     | <b>24,951,828</b>    |
| 1995                                 | 16,589,516                  | 6,792,216                             | 499,318   | 64,499                         | 1,282,385                                     | <b>25,227,934</b>    |
| 1994                                 | 14,822,322                  | 6,540,610                             | 495,550   | 64,499                         | 1,283,858                                     | <b>23,206,839</b>    |

# **RUTHERFORD COUNTY, NORTH CAROLINA**

## **PROPERTY TAXES LEVIED AND COLLECTED<sup>(1)</sup>** Last ten fiscal years

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Tax Year</u> | <u>Total<br/>Tax Levy</u> | <u>Current<br/>Tax Year<br/>Collections</u> | <u>Prior<br/>Tax Years<br/>Collections</u> | <u>% of Current<br/>Tax Year<br/>Collections</u> | <u>Total Tax<br/>Collections</u> |
|--------------------------------------|-----------------|---------------------------|---|--|--|----------------------------------|
| 2003                                 | 2002            | \$ 25,696,721             | \$ 24,565,452                               | \$ 929,340                                 | 95.6%  | \$ 25,494,792                    |
| 2002                                 | 2001            | 22,245,921                | 21,218,393                                  | 730,744                                    | 95.4   | 21,949,137                       |
| 2001                                 | 2000            | 20,680,487                | 19,787,900                                  | 690,513                                    | 95.7   | 20,478,413                       |
| 2000                                 | 1999            | 18,567,515                | 17,774,198                                  | 598,941                                    | 95.7   | 18,373,139                       |
| 1999                                 | 1998            | 17,361,813                | 16,550,333                                  | 571,748                                    | 95.3   | 17,122,081                       |
| 1998                                 | 1997            | 17,300,180                | 16,581,793                                  | 608,402                                    | 95.8   | 17,190,195                       |
| 1997                                 | 1996            | 16,234,947                | 15,526,236                                  | 578,643                                    | 95.6   | 16,104,879                       |
| 1996                                 | 1995            | 15,814,786                | 15,124,675                                  | 860,481                                    | 95.6   | 15,985,156                       |
| 1995                                 | 1994            | 16,283,303                | 15,536,496                                  | 1,084,887                                  | 95.4   | 16,621,383                       |
| 1994                                 | 1993            | 14,885,980                | 13,962,374                                  | 745,183                                    | 93.8   | 14,707,577                       |

<sup>(1)</sup> Includes general fund and special districts.

# RUTHERFORD COUNTY, NORTH CAROLINA

## PROPERTY TAX RATES - DIRECT AND ALL OVERLAPPING GOVERNMENTS (Per \$100 of assessed valuation) For the last ten fiscal years

| Fiscal<br>Year<br>Ending<br>June 30 | Name of Government   |                |          |               |           |              |        |                                   |        |                            |
|-------------------------------------|----------------------|----------------|----------|---------------|-----------|--------------|--------|-----------------------------------|--------|----------------------------|
|                                     | Rutherford<br>County | Forest<br>City | Spindale | Rutherfordton | Ellenboro | Lake<br>Lure | Bostic | Alexander<br>Mills <sup>(1)</sup> | Ruth   | Chimney<br>Rock<br>Village |
| 2003                                | \$ .62               | \$ .24         | \$ .45   | \$ .49        | \$ .25    | \$ .27       | \$ .25 | \$ —                              | \$ .26 | \$ .125                    |
| 2002                                | .66                  | .24            | .45      | .49           | .28       | .32          | .25    | —                                 | .26    | .14                        |
| 2001                                | .63                  | .24            | .42      | .49           | .28       | .32          | .25    | —                                 | .26    | .14                        |
| 2000                                | .57                  | .24            | .42      | .49           | .28       | .32          | .25    | —                                 | .26    | .14                        |
| 1999                                | .545                 | .24            | .42      | .49           | .28       | .31          | .25    | .30                               | .26    | .14                        |
| 1998                                | .55                  | .24            | .42      | .49           | .28       | .30          | .25    | .38                               | .26    | .14                        |
| 1997                                | .55                  | .24            | .42      | .45           | .28       | .30          | .25    | .32                               | .26    | .14                        |
| 1996                                | .56                  | .24            | .40      | .41           | .28       | .26          | .25    | .30                               | .26    | .14                        |
| 1995                                | .59                  | .24            | .40      | .41           | .28       | .26          | .25    | .30                               | .26    | .14                        |
| 1994                                | .69                  | .29            | .46      | .44           | .31       | .28          | .25    | .30                               | .30    | .15                        |

Note: Property was revalued in 1994 and 2002.

<sup>(1)</sup> Alexander Mills merged with Forest City in 2000.

**RUTHERFORD COUNTY, NORTH CAROLINA****ASSESSED VALUE OF TAXABLE PROPERTY**

For the last ten fiscal years

(In thousands)

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Assessed Values</u>   |                              |   |              |
|--------------------------------------|--------------------------|------------------------------|---|--------------|
|                                      | <u>Real<br/>Property</u> | <u>Personal<br/>Property</u> | <u>Public<br/>Service<br/>Companies</u> | <u>Total</u> |
| 2003                                 | \$ 2,824,379             | \$ 862,859                   | \$ 242,451                              | \$ 3,929,689 |
| 2002                                 | 2,181,264                | 844,710                      | 185,699                                 | 3,211,673    |
| 2001                                 | 2,099,696                | 828,745                      | 205,748                                 | 3,134,189    |
| 2000                                 | 2,048,387                | 831,010                      | 207,819                                 | 3,087,216    |
| 1999                                 | 1,998,511                | 810,043                      | 208,010                                 | 3,016,564    |
| 1998                                 | 1,956,870                | 793,195                      | 235,042                                 | 2,985,107    |
| 1997                                 | 1,907,728                | 661,122                      | 230,769                                 | 2,799,619    |
| 1996                                 | 1,864,813                | 606,843                      | 220,246                                 | 2,691,902    |
| 1995                                 | 1,835,283                | 571,297                      | 204,952                                 | 2,611,532    |
| 1994                                 | 1,372,688                | 484,830                      | 148,145                                 | 2,005,663    |

# **RUTHERFORD COUNTY, NORTH CAROLINA**

## **TEN LARGEST TAXPAYERS** (Ad valorem property tax assessments) June 30, 2003

| <u>Taxpayer</u>                         | <u>Type of Business</u> | <u>Assessed<br/>Values<br/>Thousands</u> | <u>Percentage<br/>of Value<br/>to Total</u> | <u>Tax Levy</u>      |
|---|-------------------------|--|---|----------------------|
| Duke Energy Company                     | Public Utility          | \$ 160,202                               | 4.08%                                       | \$ 993,253           |
| Cone Mills Corporation                  | Textiles                | 51,934                                   | 1.32  | 321,994              |
| Bell South                              | Public Utility          | 34,668                                   | .88   | 214,942              |
| Watts Regulator                         | Manufacturing           | 28,258                                   | .72   | 175,198              |
| Broyhill Furniture                      | Furniture Manufacturing | 27,998                                   | .71   | 173,590              |
| Fairfield Communities                   | Resort Properties       | 21,238                                   | .54   | 131,676              |
| MC Group Acquisition                    | Textiles                | 19,980                                   | .52   | 123,879              |
| RCM Management Services LLP             | Airplane                | 19,400                                   | .49   | 120,280              |
| National Textiles, Inc.                 | Textiles                | 18,863                                   | .48   | 116,951              |
| Rutherford Electric<br>Membership Corp. | Public Utility          | 18,113                                   | .46   | 112,298              |
| Other                                   |                         | <u>3,529,035</u>                         | <u>89.80</u>                                | <u>21,985,914</u>    |
|   | Totals                  | <u>\$ 3,929,689</u>                      | <u>100%</u>                                 | <u>\$ 24,469,975</u> |

# **RUTHERFORD COUNTY, NORTH CAROLINA**

## **GENERAL BONDED DEBT - PER CAPITA AND AS A PERCENTAGE OF ASSESSED VALUE OF TAXABLE PROPERTY**

For the last ten fiscal years  
(In thousands)

| <u>Fiscal<br/>Year<br/>Ended<br/>June 30</u> | <u>Population<br/>(Estimated)</u> | <u>Assessed<br/>Value<br/>of Taxable<br/>Property</u> | <u>Net General<br/>Bonded Debt<br/>Total</u> | <u>Bonded<br/>Debt -<br/>Per Capital<br/>(Dollars)</u> | <u>Net Bonded<br/>Debt % of<br/>Valuation</u> |
|--|-----------------------------------|---|--|--|---|
| 2003   | 65                                | \$ 3,929,689  | \$ 18,420                                    | \$ 283.38  | .46%  |
| 2002   | 63                                | 3,211,673   | 19,145                                       | 303.89   | .60   |
| 2001   | 63                                | 3,134,189   | 21,365                                       | 339.13   | .68   |
| 2000   | 60                                | 3,087,216   | 23,590                                       | 393.17   | .76   |
| 1999   | 60                                | 3,016,564   | 25,820                                       | 430.33   | .86   |
| 1998   | 60                                | 2,985,107   | 28,055                                       | 467.58   | .94   |
| 1997   | 60                                | 2,799,619   | 30,290                                       | 504.83   | 1.08  |
| 1996   | 59                                | 2,691,902   | 32,530                                       | 551.36   | 1.21  |
| 1995   | 59                                | 2,611,532   | 34,775                                       | 589.41   | 1.33  |
| 1994   | 58                                | 2,005,663   | 37,025                                       | 638.36   | 1.85  |

# **RUTHERFORD COUNTY, NORTH CAROLINA**

## **SCHEDULE OF LEGAL DEBT MARGIN** June 30, 2003

### Legal debt margin:

|                                   |                   |                         |
|-----------------------------------|-------------------|-------------------------|
| Assessed value - January 1, 2002  |                   | <u>\$ 3,929,689,345</u> |
| Debt limit - 8% of assessed value |                   | \$ 314,375,148          |
| Debt applicable to debt limit:    |                   |                         |
| General Obligation Bonds          | 18,420,000        |                         |
| Other outstanding debt            | <u>42,136,191</u> |                         |
| Net debt applicable to debt limit |                   | <u>60,556,191</u>       |
| Legal debt margin - June 30, 2003 |                   | <u>\$ 253,818,957</u>   |

## **COMPUTATION OF DIRECT AND UNDERLYING DEBT** **GENERAL OBLIGATION BONDS**

|                   | <u>Net General<br/>Obligation<br/>Bonded Debt</u> | <u>Percent<br/>Applicable<br/>To County</u> | <u>Amount<br/>Applicable<br/>To County</u> |
|-------------------|---|---|--|
| Direct:           |   |   |  |
| Rutherford County | <u>\$ 18,420,000</u>                              | 100%  | <u>\$ 18,420,000</u>                       |
| Underlying:       |   |   |  |
| Ellenboro         | 249,500   | 100%  | 249,500                                    |
| Spindale          | <u>725,000</u>                                    | 100%  | <u>725,000</u>                             |
|                   | <u>974,500</u>                                    |   | <u>974,500</u>                             |
| Totals            | <u>\$ 19,394,500</u>                              |   | <u>\$ 19,394,500</u>                       |

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Source: Local finance offices as reported to North Carolina Local Government Commission.

# **RUTHERFORD COUNTY, NORTH CAROLINA**

## **RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**

For the last ten fiscal years  
(In thousands)

| <u>Fiscal Year<br/>Ended June 30</u> | <u>General Bonded Debt</u> |                 |  | <u>Total<br/>General<br/>Expenditures<sup>(1)</sup></u> | <u>% of Bonded<br/>Debt Service<br/>To Total<br/>General<br/>Expenditures</u> |
|--------------------------------------|----------------------------|-----------------|--|---|---|
|                                      | <u>Principal</u>           | <u>Interest</u> | <u>Total Debt<br/>Service<br/>Expenditures</u> |   |   |
| 2003                                 | \$ 2,200                   | \$ 966          | \$ 3,166                                       | \$ 56,249   | 5.62%   |
| 2002                                 | 2,220                      | 1,079           | 3,299  | 46,162  | 7.15  |
| 2001                                 | 2,225                      | 1,204           | 3,429  | 50,981  | 6.72  |
| 2000                                 | 2,230                      | 1,329           | 3,559  | 49,473  | 7.19  |
| 1999                                 | 2,235                      | 1,454           | 3,689  | 47,301  | 7.80  |
| 1998                                 | 2,235                      | 1,579           | 3,814  | 42,621  | 8.95  |
| 1997                                 | 2,240                      | 1,704           | 3,944  | 38,605  | 10.22   |
| 1996                                 | 2,245                      | 1,829           | 4,074  | 36,059  | 11.30   |
| 1995                                 | 2,250                      | 1,953           | 4,203  | 44,064  | 9.54  |
| 1994                                 | 2,125                      | 2,205           | 4,330  | 34,417  | 12.58   |

<sup>(1)</sup>Includes General, Special Revenue, Debt Service and Capital Projects Funds.



## RUTHERFORD COUNTY, NORTH CAROLINA

### DEMOGRAPHIC STATISTICS

Last ten fiscal years

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Population<br/>Estimate<sup>(1)</sup></u> | <u>Estimated<br/>Median<br/>Age</u> | <u>Public<br/>School<br/>Enrollment<sup>(2)</sup></u> |
|--------------------------------------|--|-------------------------------------|---|
| 2003                                 | 64,513                                       | 39.15                               | 10,038  |
| 2002                                 | 63,397                                       | 38.87                               | 10,079  |
| 2001                                 | 62,899                                       | 38.5                                | 10,069  |
| 2000                                 | 60,140                                       | 38.1                                | 10,088  |
| 1999                                 | 60,100                                       | 37.7                                | 10,135  |
| 1998                                 | 59,396                                       | 37.3                                | 10,148  |
| 1997                                 | 59,868                                       | 37.0                                | 10,089  |
| 1996                                 | 59,082                                       | 37.0                                | 9,953   |
| 1995                                 | 58,794                                       | 36.6                                | 9,743   |
| 1994                                 | 57,919                                       | 36.6                                | 9,794   |

<sup>(1)</sup> 2001 population is from U.S. Census. 1994-2000 and 2002- 2003, population projected by the Office of State Planning.

<sup>(2)</sup> Public school enrollment from the North Carolina Department of Public Instruction.

**RUTHERFORD COUNTY, NORTH CAROLINA**

**CIVILIAN LABOR FORCE ESTIMATES<sup>(1)</sup>**

For the last ten fiscal years

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Civilian<br/>Labor<br/>Force</u> | <u>Labor<br/>Employment</u> | <u>Labor<br/>Unemployment</u> | <u>Unemployment<br/>Rate</u> |
|--------------------------------------|-------------------------------------|-----------------------------|-------------------------------|------------------------------|
| 2003                                 | 28,672                              | 25,807                      | 2,865                         | 10.0%                        |
| 2002                                 | 28,660                              | 25,410                      | 3,250                         | 11.3                         |
| 2001                                 | 28,140                              | 26,110                      | 2,030                         | 7.2                          |
| 2000                                 | 29,830                              | 27,850                      | 2,250                         | 7.5                          |
| 1999                                 | 29,930                              | 28,070                      | 1,860                         | 6.2                          |
| 1998                                 | 29,710                              | 28,350                      | 1,360                         | 4.6                          |
| 1997                                 | 30,810                              | 29,210                      | 1,600                         | 5.2                          |
| 1996                                 | 31,620                              | 29,250                      | 2,370                         | 7.5                          |
| 1995                                 | 30,280                              | 28,660                      | 1,620                         | 5.4                          |
| 1994                                 | 29,740                              | 28,470                      | 1,270                         | 4.3                          |

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<sup>(1)</sup>Labor force estimates from the Employment Security Commission Labor Market Information Division.

# RUTHERFORD COUNTY, NORTH CAROLINA

## PUBLIC EDUCATION INFORMATION<sup>(1)</sup> For the last ten fiscal years

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Average<br/>Membership</u> | <u>Total Pupil<br/>Expenditures<br/>(Thousands)</u> | <u>Per Pupil<br/>Expenditures</u> | <u>County Appropriation<br/>Included in Total Expenditures</u> |   |
|--------------------------------------|-------------------------------|---|-----------------------------------|--|---|
|                                      |                               |   |                                   | <u>Current<br/>Expense<br/>(Thousands)</u>                     | <u>Capital<br/>Outlay<br/>(Thousands)</u> |
| 2003                                 | 10,038                        | \$ 67,290   | \$ 6,703                          | \$ 9,183   | \$ 220                                    |
| 2002                                 | 10,079                        | 69,669  | 6,912                             | 9,289  | 1,452                                     |
| 2001                                 | 10,069                        | 73,405  | 7,290                             | 8,833  | 1,000                                     |
| 2000                                 | 10,088                        | 72,819  | 7,218                             | 8,216  | 5,928                                     |
| 1999                                 | 10,135                        | 72,713  | 7,174                             | 7,662  | 3,799                                     |
| 1998                                 | 10,148                        | 66,208  | 6,524                             | 7,355  | 1,188                                     |
| 1997                                 | 10,089                        | 53,259  | 5,278                             | 7,185  | 939                                       |
| 1996                                 | 9,953                         | 48,483  | 4,871                             | 7,080  | 1,508                                     |
| 1995                                 | 9,743                         | 47,644  | 4,890                             | 6,873  | 6,011                                     |
| 1994                                 | 9,794                         | 47,792  | 4,879                             | 6,584  | 3,916                                     |

<sup>(1)</sup>Public education information from the North Carolina Department of Public Instruction Information Center.

# **RUTHERFORD COUNTY, NORTH CAROLINA**

## **NEW CONSTRUCTION COST<sup>(1)</sup>** For the last ten fiscal years (In thousands)

| <u>Fiscal Year<br/>Ended June 30</u> | <u>New<br/>Homes</u> | <u>Multiple<br/>Units</u> | <u>Commercial</u> | <u>Other</u> | <u>Total</u> |
|--------------------------------------|----------------------|---------------------------|-------------------|--------------|--------------|
| 2003                                 | \$ 33,167            | \$ 3,715                  | \$ 33,342         | \$ 15,557    | \$ 85,780    |
| 2002                                 | 39,268               | 130                       | 7,284             | 28,204       | 74,886       |
| 2001                                 | 30,935               | 582                       | 11,059            | 17,447       | 60,023       |
| 2000                                 | 30,472               | 859                       | 30,760            | 13,723       | 75,814       |
| 1999                                 | 30,564               | 2,884                     | 20,890            | 11,555       | 65,893       |
| 1998                                 | 24,767               | 1,480                     | 23,204            | 12,635       | 62,086       |
| 1997                                 | 23,857               | 776                       | 18,376            | 8,186        | 51,195       |
| 1996                                 | 21,445               | 1,021                     | 21,157            | 13,074       | 56,697       |
| 1995                                 | 18,366               | 794                       | 20,742            | 14,801       | 54,703       |
| 1994                                 | 20,952               | 550                       | 19,856            | 13,059       | 54,417       |

<sup>(1)</sup> New construction information from Rutherford County and Town of Forest City Building Inspector Departments.

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SCHEDULE OF SURETY BONDS IN FORCE**  
**June 30, 2003**

| <u>Surety Bonds</u>                       |              | <u>Policy<br/>Maturity</u> | <u>Amount</u> |
|---|--------------|----------------------------|---------------|
| Finance Officer                           | Robert Bole  | 11-01-03                   | \$ 100,000    |
| County Manager                            | John Condrey | 10-03-03                   | 100,000       |
| Coroner                                   | Shane Earley | 12-03-03                   | 2,000         |
| Tax Supervisor                            | Vacant       | 06-30-03                   | 100,000       |
| Sheriff                                   | Dan Good     | 12-03-03                   | 10,000        |
| Register of Deeds                         | Faye Huskey  | 12-05-03                   | 10,000        |
| Department of Social<br>Services Director | John Carroll | 11-11-03                   | 100,000       |
| Public Employees<br>Faithful Performance  |              | 06-30-03                   | 250,000       |

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SALARIES OF PRINCIPAL OFFICIALS**  
June 30, 2002

| <u>Position</u>          | <u>Employee</u> | <u>Salary</u> |
|--------------------------|-----------------|---------------|
| Chairman of Board        | Charles Hill    | \$ 8,648      |
| County Manager           | John Condrey    | 71,702        |
| Finance Director         | Robert Bole     | 64,211        |
| Tax Administrator        | Vacant          | 52,465        |
| Social Services Director | John Carroll    | 61,469        |
| Register of Deeds        | Faye H. Huskey  | 59,970        |
| Sheriff                  | Dan Good        | 63,470        |

## **RUTHERFORD COUNTY, NORTH CAROLINA**

### **MISCELLANEOUS STATISTICAL INFORMATION**

June 30, 2003

|                                 |                          |
|---------------------------------|--------------------------|
| Date of Incorporation           | 1779                     |
| Form of Government              | Commissioner - Manager   |
| Number of Employees (Full Time) | 345                      |
| Area in Square Miles            | 566                      |
| Major Employment                | Manufacturing - Textiles |
| Impact of tourism expenditures  | \$91 Million (2002)      |
| Tourist Lodging Capacity        | 1,241 rooms              |

#### **Rutherford County Facilities and Services:**

|                          |              |
|--------------------------|--------------|
| Highways:                |              |
| Miles of Secondary Roads | 928          |
| Number of U.S. Highways  | 4            |
| Number of NC Highways    | 3            |
| Fire Protection:         |              |
| Number of Fire Districts | 14           |
| Culture and Recreation:  |              |
| Park Acreage             | 23           |
| Public Libraries         | 3            |
| Education:               |              |
| Approved Bond Referendum | \$40 Million |

#### **Facilities and Services Not Included in the Reporting Entity:**

|                              |       |
|------------------------------|-------|
| Education:                   |       |
| Number of Elementary Schools | 12    |
| Number of Middle Schools     | 3     |
| Number of Secondary Schools  | 3     |
| Number of Employees          | 1,396 |
| Number of Community Colleges | 1     |
| Number of Employees          | 165   |
| Hospitals:                   |       |
| Number of Hospitals          | 1     |
| Number of Patient Beds       | 143   |
| Number of employees          | 800   |

## **COMPLIANCE SECTION**



**Report On Compliance And On Internal Control Over Financial Reporting Based  
On An Audit Of Financial Statements Performed In Accordance With  
*Government Auditing Standards***

To the Board of County Commissioners  
Rutherford County, North Carolina

We have audited the basic financial statements of Rutherford County, North Carolina as of and for the year ended June 30, 2003, and have issued our report thereon dated October 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Rutherford County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rutherford County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal and State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Asheville, North Carolina  
October 16, 2003

**Report On Compliance With Requirements Applicable To Each Major Federal  
Program And Internal Control Over Compliance In Accordance With OMB  
Circular A-133 And The State Single Audit Implementation Act**

To the Board of Commissioners  
Rutherford County, North Carolina

Compliance

We have audited the compliance of Rutherford County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2003. Rutherford County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rutherford County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rutherford County's compliance with those requirements.

In our opinion, Rutherford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

To the Board of Commissioners  
Rutherford County, North Carolina  
Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Asheville, North Carolina  
October 16, 2003

**Report On Compliance With Requirements Applicable To Each Major State  
Program And Internal Control Over Compliance In Accordance With OMB  
Circular A-133 And The State Single Audit Implementation Act**

To the Board of Commissioners  
Rutherford County, North Carolina

Compliance

We have audited the compliance of Rutherford County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2003. Rutherford County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Rutherford County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rutherford County's compliance with those requirements.

In our opinion, Rutherford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

To the Board of Commissioners  
Rutherford County, North Carolina  
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Asheville, North Carolina  
October 16, 2003

**RUTHERFORD COUNTY, NORTH CAROLINA**

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**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the year ended June 30, 2003

| <u>Grantor/Pass-through<br/>Grantor/Program Title</u>  | <u>Federal<br/>CFDA<br/>Number</u> | <u>State/<br/>Pass-through<br/>Grantor's<br/>Number</u> | <u>Federal<br/>(Direct &amp;<br/>Pass-through)<br/>Expenditures</u> | <u>State<br/>Expenditures</u> |
|--|------------------------------------|---|---|-------------------------------|
| <b>Federal Awards</b>  |                                    |   |   |                               |
| <u>U.S. Department of Agriculture</u>  |                                    |   |   |                               |
| Passed-through N.C. Department of Health and Human Services:                                   |                                    |   |   |                               |
| Division of Social Services:   |                                    |   |   |                               |
| Food Stamp Cluster:  |                                    |   |   |                               |
| Food Stamp Administration  | 10.561                             | —   | \$ 202,196  | \$ —                          |
| Food Stamp Benefit Direct Payments   | 10.551                             | —   | 5,831,232   | —                             |
|  |                                    |   | <u>6,033,428</u>  | —                             |
| Passed-through Isothermal Planning and Development Commission:                                 |                                    |   |   |                               |
| USDA Supplement  | 10.570                             | —   | <u>53,677</u>   | —                             |
| Total U.S. Department of Agriculture   |                                    |   | <u>6,087,105</u>  | —                             |
| <u>U.S. Department of Housing &amp; Urban Development</u>                                      |                                    |   |   |                               |
| Passed-through N.C. Department of Commerce and Isothermal Planning and Development Commission: |                                    |   |   |                               |
| Community Development Block Grant  | 14.228                             | 01-C-0876   | <u>79,337</u>   | —                             |
| Total U.S. Department of Housing & Urban Development   |                                    |   | <u>79,337</u>   | —                             |
| <u>U.S. Department of Justice</u>  |                                    |   |   |                               |
| Bureau of Justice Assistance:  |                                    |   |   |                               |
| Local Law Enforcement Block Grant  | 16.592                             | —   | 19,622  | —                             |
| COPS in Schools  | 16.710                             | —   | 40,316  | —                             |
| Passed-through N.C. Division of Emergency Management:  |                                    |   |   |                               |
| Victims of Crime Act   | 16.575                             | 081100030V140   | <u>5,349</u>  | —                             |
| Total U.S. Department of Justice   |                                    |   | <u>65,287</u>   | —                             |

**RUTHERFORD COUNTY, NORTH CAROLINA**

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**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the year ended June 30, 2003

| <u>Grantor/Pass-through<br/>Grantor/Program Title</u>                 | <u>Federal<br/>CFDA<br/>Number</u> | <u>State/<br/>Pass-through<br/>Grantor's<br/>Number</u> | <u>Federal<br/>(Direct &amp;<br/>Pass-through)<br/>Expenditures</u> | <u>State<br/>Expenditures</u> |
|---|------------------------------------|---|---|-------------------------------|
| <u>Federal Emergency Management Agency</u>                            |                                    |   |   |                               |
| Passed-through N.C. Department of Crime<br>Control and Public Safety: |                                    |   |   |                               |
| EM Performance  | 83.552                             | —   | 12,612  | —                             |
| Public Assistance   | 83.544                             | —   | 22,767  | —                             |
| Total Federal Emergency Management Agency                             |                                    |   | 35,379  | —                             |
| <u>U.S. Department of Health and Human Services</u>                   |                                    |   |   |                               |
| Passed-through N.C. Department of Health and Human Services:          |                                    |   |   |                               |
| Division of Social Services:  |                                    |   |   |                               |
| Temporary Assistance for Needy Families (TANF):                       |                                    |   |   |                               |
| TANF-Direct Benefit Payments  | 93.558                             | —   | 1,410,033   | 39                            |
| AFDC Direct Benefit Payments  | 93.558                             | —   | (4,895)   | (707)                         |
| Work First  | 93.558                             | —   | 535,935   | 3,969                         |
| Title IV-D Child Support Enforcement Admin                            | 93.563                             | —   | 249,937   | —                             |
| Energy Assistance Direct Payments                                     | 93.568                             | —   | 139,361   | —                             |
| Low Income Energy Assistance Program:                                 |                                    |   |   |                               |
| Administration  | 93.568                             | —   | 20,048  | —                             |
| Crisis Intervention Payments  | 93.568                             | —   | 139,364   | —                             |
| Child Care Development Fund Administration                            | 93.596                             | —   | 64,760  | —                             |
| Division of Child Development:  |                                    |   |   |                               |
| Subsidized Child Care Cluster:  |                                    |   |   |                               |
| Child Care Development Block Fund - TANF                              | 93.558                             | —   | 138,095   | —                             |
| Child Care Development Fund<br>Discretionary                          | 93.575                             | —   | 518,175   | —                             |
| Child Care Development Fund-<br>Mandatory (CCDF)                      | 93.596                             | —   | 259,286   | —                             |
| Child Care Development Fund-<br>Match (CCDF)                          | 93.596                             | 18111810VE  | 289,854   | 153,295                       |
| Social Service Block Grant  | 93.667                             | —   | 11,952  | —                             |
| Smart Start   | —                                  | 1711174040  | —   | 129,664                       |
| State Appropriations – TANF   | —                                  | 1811181200  | —   | 136,851                       |
| TANF-Maintenance of Effort<br>Smart Start                             | —                                  | 18111810T6  | —   | 632,598                       |
| Smart Start   | —                                  | —   | —   | 50,016                        |
| Total Subsidized Child Care Cluster                                   |                                    |   | 1,217,362   | 1,102,424                     |

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended June 30, 2003

| <u>Grantor/Pass-through<br/>Grantor/Program Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>State/<br/>Pass-through<br/>Grantor's<br/>Number</u> | <u>Federal<br/>(Direct &amp;<br/>Pass-through)<br/>Expenditures</u> | <u>State<br/>Expenditures</u> |
|---|------------------------------------|---|---|-------------------------------|
| Division of Social Services:                          |                                    |   |   |                               |
| Foster Care and Adoption Cluster:                     |                                    |   |   |                               |
| Title IV-E Foster Care Administration                 | 93.658                             | —   | 309,039   | 74,517                        |
| Title IV-E Foster Care-Direct Benefit Payments        | 93.658                             | —   | 207,701   | 33,828                        |
| Title IV-E Adoption Assistance                        |                                    |   |   |                               |
| -Direct Benefit Payments                              | 93.659                             | —   | 178,820   | 54,137                        |
| Adoption/Foster care                                  | 93.658                             | —   | 449,845   | 60,700                        |
| Total Foster Care and Adoption Cluster                |                                    |   | <u>1,145,405</u>  | <u>223,182</u>                |
| Title IV-B Adoption Assistance Program:               |                                    |   |   |                               |
| Permanency Planning-Grant.                            | 93.645                             | —   | 21,443  | 5,047                         |
| Independent Living Initiative-Links                   | 93.674                             | —   | 36,997  | 9,249                         |
| Social Services Block Grant:                          |                                    |   |   |                               |
| Family Planning Administration                        | 93.667                             | —   | 3,297   | —                             |
| Other Services & Training                             | 93.667                             | —   | 223,358   | 23,778                        |
| In-Home Services                                      | 93.667                             | —   | 39,274  | —                             |
| Adult Day Care  | 93.667                             | —   | 11,164  | 4,568                         |
| Division of Medical Assistance:                       |                                    |   |   |                               |
| Title XIX Medicaid Cost Calculation -Direct Benefits  |                                    |   |   |                               |
| Paid to Recipients and Service Providers              | 93.778                             | —   | 36,389,495  | 18,521,933                    |
| Adult Care Home Case Management                       | 93.778                             | —   | 103,316   | 64,672                        |
| Medicaid Eligible & De-link                           | 93.778                             | —   | 113,054   | 14,276                        |
| Medical Assistance Administration                     | 93.778                             | —   | 393,805   | —                             |
| Medical Transportation                                | 93.778                             | —   | 24,414  | 125                           |
| NC Health Choice                                      | 93.767                             | —   | 7,329   | 2,642                         |



**RUTHERFORD COUNTY, NORTH CAROLINA**

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**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the year ended June 30, 2003

| <u>Grantor/Pass-through<br/>Grantor/Program Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>State/<br/>Pass-through<br/>Grantor's<br/>Number</u> | <u>Federal<br/>(Direct &amp;<br/>Pass-through)<br/>Expenditures</u> | <u>State<br/>Expenditures</u> |
|---|------------------------------------|---|---|-------------------------------|
| Division of Aging:                                    |                                    |   |   |                               |
| Passed-through Isothermal                             |                                    |   |   |                               |
| Planning & Development Commission:                    |                                    |   |   |                               |
| Title III-F 90% F/S Preventive                        |                                    |   |   |                               |
| Health Screening                                      | 93.043                             | —   | 7,076   | 416                           |
| Title III-B In-Home Services                          | 93.044                             | —   | 123,166   | 7,243                         |
| Title III-C1 Congregate Nutrition                     | 93.045                             | —   | 103,177   | 6,068                         |
| Title III-C2 Home Delivered Meals                     | 93.045                             | —   | 56,338  | 3,313                         |
| Senior Center Outreach                                | —                                  | —   | —   | 1,165                         |
| Senior Center General Fund                            | —                                  | —   | —   | 5,087                         |
| Title III-Chore                                       | 93.044                             | —   | 67,147  | 3,949                         |
| Total Division of Aging                               |                                    |   | <u>356,904</u>  | <u>27,241</u>                 |
| Total Department of Health & Human Services           |                                    |   | <u>42,641,160</u>   | <u>20,002,438</u>             |
| Total Federal Awards                                  |                                    |   | <u>48,908,268</u>   | <u>20,002,438</u>             |
| <b>State Awards</b>                                   |                                    |   |   |                               |
| <u>N.C. Department of Commerce:</u>                   |                                    |   |   |                               |
| TDA Match   | —                                  | —   | <u>—</u>  | <u>3,000</u>                  |
| Total N.C. Department of Commerce                     |                                    |   | <u>—</u>  | <u>3,000</u>                  |
| <u>N.C. Department of Health and Human Services:</u>  |                                    |   |   |                               |
| Division of Juvenile Justice:                         |                                    |   |   |                               |
| Community Based Alternatives:                         |                                    |   |   |                               |
| Psychological Services to the Juvenile Court          | —                                  | 181025  | —   | 3,077                         |
| Temporary Shelter Care                                | —                                  | 181041  | —   | 14,625                        |
| Juvenile Crime Prevention Programs                    | —                                  | 181009  | —   | 143,756                       |
| Court Ordered Parenting                               | —                                  | 181002  | —   | 15,308                        |
| Juvenile Crime Committee                              | —                                  | 181000  | —   | 4,369                         |
| Total Division of Juvenile Justice                    |                                    |   | <u>—</u>  | <u>181,135</u>                |

**RUTHERFORD COUNTY, NORTH CAROLINA**

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**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the year ended June 30, 2003

| <u>Grantor/Pass-through<br/>Grantor/Program Title</u>    | <u>Federal<br/>CFDA<br/>Number</u> | <u>State/<br/>Pass-through<br/>Grantor's<br/>Number</u> | <u>Federal<br/>(Direct &amp;<br/>Pass-through)<br/>Expenditures</u> | <u>State<br/>Expenditures</u> |
|--|------------------------------------|---|---|-------------------------------|
| Division of Social Services:                             |                                    |   |   |                               |
| State Foster Home  | —                                  | —   | —   | 87,127                        |
| Adopt Subsidy-Direct Benefit Payments                    | —                                  | —   | —   | 47,940                        |
| Foster Care-Benefits Program                             | —                                  | —   | —   | 50,467                        |
| SC/SA Domiciliary Care-Direct Payments                   | —                                  | —   | —   | 1,192,070                     |
| State Adult Protective Services                          | —                                  | —   | —   | 41,838                        |
| State Aid to Counties                                    | —                                  | —   | —   | 38,482                        |
| Total Division of Social Services                        |                                    |   | —   | 1,457,924                     |
| Total N.C. Department of Health and Human Services       |                                    |   | —   | 1,639,059                     |
| <u>N.C. Department of Health and Natural Resources:</u>  |                                    |   |   |                               |
| Soil Conservation Service:                               |                                    |   |   |                               |
| Emergency Watershed Protection                           | —                                  | —   | —   | 21,693                        |
| Technical Assistance                                     | —                                  | —   | —   | 4,000                         |
| Total N.C. Department of Health<br>and Natural Resources |                                    |   | —   | 25,693                        |
| <u>N.C. Department of Transportation:</u>                |                                    |   |   |                               |
| Public Transportation Division:                          |                                    |   |   |                               |
| Airport Land Acquisition                                 | —                                  | 99989001  | —   | 11,091                        |
| Elderly and Handicapped Tap-Medicaid                     | —                                  | ROAP  | —   | 54,513                        |
| Work First Transportation                                | —                                  | ROAP  | —   | 11,047                        |
| Transit Administration Grants                            | —                                  | CT-068  | —   | 105,350                       |
| Vehicle Purchase   | —                                  | CT-068  | —   | 81,039                        |
| Rural General Public                                     | —                                  | ROAP  | —   | 29,104                        |
| Employee Development                                     | —                                  | CT-068  | —   | 2,125                         |
| Rural General Public-Discretionary                       | —                                  | RGP   | —   | 23,027                        |
| Equipment  | —                                  | CT-068  | —   | 90                            |
| Total N.C. Department of Transportation                  |                                    |   | —   | 317,386                       |

**RUTHERFORD COUNTY, NORTH CAROLINA**

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**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the year ended June 30, 2003

| <u>Grantor/Pass-through<br/>Grantor/Program Title</u>        | <u>Federal<br/>CFDA<br/>Number</u> | <u>State/<br/>Pass-through<br/>Grantor's<br/>Number</u> | <u>Federal<br/>(Direct &amp;<br/>Pass-through)<br/>Expenditures</u> | <u>State<br/>Expenditures</u> |
|--|------------------------------------|---|---|-------------------------------|
| <u>N.C. Department of Cultural Resources:</u>                |                                    |   |   |                               |
| State Aid to Public Libraries                                | —                                  | 536960  | —   | 127,336                       |
| Total N.C. Department of Cultural Resources                  |                                    |   | —   | 127,336                       |
| <u>N.C. Division of Veterans Affairs:</u>                    |                                    |   |   |                               |
| County Veterans Service Program                              | —                                  | —   | —   | 2,000                         |
| Total N.C. Division of Veterans Affairs                      |                                    |   | —   | 2,000                         |
| <u>Office of the Governor:</u>                               |                                    |   |   |                               |
| <u>Office of State Budget, Planning<br/>and Management</u>   |                                    |   |   |                               |
| Public School Building Capital Fund                          | —                                  | —   | —   | 889,396                       |
| Total Office of the Governor                                 | —                                  | —   | —   | 889,396                       |
| <u>N.C. Department of Public Instruction:</u>                |                                    |   |   |                               |
| Public School Bond Fund                                      | —                                  | —   | —   | 322,296                       |
| Total N.C. Department of Public Instruction                  | —                                  | —   | —   | 322,296                       |
| <u>N.C. Department of Environment and Natural Resources:</u> |                                    |   |   |                               |
| Scrap Tire Grant   | —                                  | —   | —   | 46,051                        |
| White Goods  | —                                  | —   | —   | 7,736                         |
| Total N.C. Department of Environment and Natural Resources   |                                    |   | —   | 53,787                        |
| Total State Awards   |                                    |   | —   | 3,379,953                     |
| Total Federal and State Awards                               |                                    |   | \$48,908,268  | \$ 23,382,391                 |

Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Rutherford County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements. Benefit payments directly to recipients and are not included in the County's financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2003

**I. Summary of Auditor's Results**

- A. An unqualified opinion was issued on the financial statements of Rutherford County.
- B. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the general-purpose financial statements.
- C. There were no single audit compliance findings required to be reported.
- D. An unqualified opinion was issued on Rutherford County's compliance with the types of compliance requirements applicable to its major federal and state programs.
- E. Major federal programs for Rutherford County for the fiscal year ended June 30, 2003 are:

| <u>Program Name</u>                     | <u>CFDA #</u>                  |
|---|--------------------------------|
| Subsidized Child Care Cluster           | 93.575, 93.596                 |
| Temporary Assistance for Needy Families | 93.558, 93.563, 93.568, 93.596 |
| Title XIX Medicaid                      | 93.778                         |
| Food Stamp Cluster                      | 10.561, 10.551                 |
| Child's Health Insurance Program        | 93.767                         |

- F. Major State programs (over \$300,000) for Rutherford County for the fiscal year ended June 30, 2003 are:

Subsidized Child Care Cluster  
SC/SA Domiciliary Care  
Title XIX Medicaid  
Temporary Assistance for Needy Families  
Public School Building Bond Fund  
Public School Building Capital Fund

- G. The threshold for determining Federal Type A programs for Rutherford County is \$1,467,000 (3%).
- H. The threshold for determining State Type A programs is \$300,000.
- I. Rutherford County qualifies as a low risk auditee under Section .530 of Circular No. A-133.

**II. Audit Findings Required to be Reported in Accordance with *Government Auditing Standards***

There were no findings related to the financial statements for the year ended June 30, 2003.

**III. Audit Findings Required to be Reported in Accordance with OMB Circular A-133**

There were no findings or questioned costs related to federal and state awards for the year ended June 30, 2003.

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the year ended June 30, 2003

There were no findings or questioned costs for the year ended June 30, 2002.